British Coal

Impact of the pit closures

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When the case for coal

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Weapons sales

More means worse

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California

Water subsidies may evaporate

Page 32

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY OCTOBER 14 1992 — D8523A

Crisis plan by EC steelmakers may cost 50,000 jobs

Europe's steelmakers, hit by overcapacity, recession and cheap imports, are planning a radical restructuring which could cost more than Ecu4bn ($5.6bn) and lead to the loss of 50,000 jobs.

Chairmen of the EC's 15 largest steel companies have asked the European Commission and Community member states for financial help to cover the redundancies. They also want strong action against unfair competition from outside the Community. Page 22

General strike hits Italy: Italian industry and transport were hit by a general strike, the country's tenth in 12 years. At least 6m workers were involved and in Milan a trade union leader was slightly injured at a mass meeting. Page 3

Two novelists share Booker Prize

The Booker Prize was awarded jointly to Michael Ondaatje, born in Sri Lanka and now based in Canada *(The English Patient)*, above left, and Barry Unsworth *(Sacred Hunger)*. Victoria Glendinning, chairman of the judges, said "all six [shortlisted] novels were in play" during final deliberations.

Nobel economics prize: Gary Becker, 61, was awarded the Nobel Prize for economics, the third University of Chicago professor in three years to win a Nobel prize. Page 22

UN aircraft under fire: A United Nations Antonov passenger aircraft was shot at on Monday on its approach to Sarajevo, the Bosnian capital. A bullet penetrated the cockpit, narrowly missing the navigator, the United Nations Protection Force said.

Brazilian party figure missing: A coastal search has found the remains of a helicopter carrying Ulysses Guimaraes, 75, a key figure in the Brazilian parliament and leader of the Brazilian Democratic Movement party.

Russian N-tests threat: Russian defence minister Pavel Grachev said he wanted to resume nuclear testing next year, threatening to abandon a voluntary moratorium by Moscow on such tests unless the US observed a similar freeze.

Warning on German extremism: Extremist parties would come to represent the "silent majority" of Germans who were being pushed towards the extreme right, posing the most serious threat to Germany's political stability for almost 50 years, two specialists warned. Page 3

Quake toll rises: The death toll in the Cairo earthquake rose to an estimated 450 people, with some 4,000 injured. Report and picture, Page 6

US brokers shine: Merrill Lynch and Paine Webber, two of the biggest US securities houses, reported strong third-quarter profits in spite of the summer market slowdown. Page 23

De Klerk rejects ANC alliance: President F.W. de Klerk said he would not share power with the African National Congress until it ousted radicals and got rid of its armed wing. Page 6; Political deal takes shape on Angola poll, Page 22

Microsoft, US software group, reported a 45 per cent rise in first-quarter earnings to outperform Wall Street expectations. Page 23

Missile-man set to be Ukraine's PM: Leonid Kuchma, manager of the world's largest missile factory, won overwhelming support from Ukraine's parliament to become the republic's next prime minister. Page 4

Body Shop International, which last month issued its first profit warning, spelt out the reasons for the sharp decline in its UK performance. Page 30

Probe into FBI chief: Federal Bureau of Investigation director William Sessions and his wife are being investigated by the US Department of Justice over possible misuse of government cars and aircraft. Page 5

IRA blast victim dies: David Heffer, who had been on a life support machine after being injured in Monday's IRA bomb blast in the Covent Garden district of London, died.

STOCK MARKET INDICES

FT-SE 100:	2,584.7	(+27.5)
Yield	4.65	
FT-SE Eurotrack 100	999.62	(+15.07)
FT-A All-Share	1,218.33	(+0.9%)
FT-A World Index	137.83	(+0.8%)
Nikkei	17,490.67	(+188.66)
New York:		
Dow Jones Ind Ave	3,201.42	(+27.01)
S&P Composite	499.38	(+1.86)

US RATES

Federal Funds:	3¾%	(closed)
3-mo Treas Bills: Yld	2.889%	(closed)
Long Bond	96½	(closed)
Yield	7.532%	(closed)

LONDON MONEY

3-mo Interbank	8 11/16 %	(8¾%)
Life long gilt future:	Dec 97½	(Dec 96 5/32)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$20.875	(20.85)

Gold

New York Comex	$344.0	(345.2)
London	$343.35	(345.8)

STERLING

New York		
$	1.7188	(1.70625)
London:		
$	1.717	(1.705)
DM	2.52	(2.51)
FFr	8.5425	(8.5325)
SFr	2.245	(2.2325)
Y	208.25	(206.25)
£ Index	83.4	(82.8)

DOLLAR

New York		
DM	1.4526	(1.46825)
FFr	4.9670	(5.005)
SFr	1.30435	(1.30775)
Y	121.12	(120.72)
London:		
DM	1.467	(1.472)
FFr	4.975	(5.005)
SFr	1.308	(1.309)
Y	121.3	(121.05)
$ Index	61.7	(same)

Tokyo close Y 121.60

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L8000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

British Coal to close 31 mines ■ 30,000 to be put out of work ■ £1bn aid pledged

Anger erupts at UK pit closures

By David Lascelles, Resources Editor, in London

BRITISH COAL announced sweeping cuts in its operations yesterday with the shutdown of 31 pits and the loss of 30,000 jobs.

The closures, which will start this week and mark British Coal's first compulsory redundancies, will devastate large areas of the east Midlands and north-east England where unemployment is already high.

The government immediately announced a £1bn ($1.71bn) package of redundancy payments and measures to help the affected areas. But the severity of the company's action, which will leave it with only 19 pits, set off a wave of protest and anger from trade unions and coal communities over what they claimed was the virtual destruction of the coal industry.

Mr Neil Clarke, British Coal's chairman, said the cuts, which include the mothballing of four pits, were necessary "in light of harsh conditions in the electricity market and the urgent need to bring supply and demand back into balance". He said the company's sales to UK electricity generators, its main customers, would fall next year to 40m tonnes from 65m tonnes this year.

"However much we dislike this – and we dislike this very strongly – it is a reality that we have to live with," he said.

Mr Michael Heseltine, trade and industry secretary, said he knew the announcement would come "as a severe shock to a great many miners and their families".

■ Full page of reports and analysis — Page 10
■ Editorial Comment
■ Light fades at the end of the tunnel — Page 20
■ Letters — Page 21
■ Review of power costs — Page 11
■ Employers seek help to solve steel crisis — Page 22

He went on: "But British Coal cannot go on producing coal which cannot be sold. These decisions have been taken only after the most careful consideration. They are painful but they are essential to secure the industry's future and cannot be postponed."

He said the remaining coal industry "will be well placed to achieve a profitable and sustainable future". The government hopes to privatise British Coal next year.

For the Labour opposition, Mr Robin Cook, the party's trade and industry spokesman, called on Mr Heseltine to intervene "in the same way that the German government intervenes to help German industry". He said taxpayers would pay "millions more in redundancy" for miners to claim unemployment benefit instead of producing coal.

As part of its aid package, the government will give assisted area status to Doncaster and Barnsley in South Yorkshire and Mansfield, Nottinghamshire. About £11m of EC money will be available with possibly more to come. Government agencies and British Coal Enterprise, its job creation arm, will also work to rehabilitate stricken communities.

British Coal said the usual procedures for appealing against pit closure would be suspended, and Mr Clarke warned miners that protest action would result in their losing redundancy entitlements.

Union leaders greeted the announcement with dismay. Mr Arthur Scargill, leader of the National Union of Mineworkers, described it as an act of industrial vandalism and urged his members to take industrial action.

Officials of the Union of Democratic Mineworkers, which broke away from the NUM in the 1984-85 strike, were even more stunned by the news, having apparently won support for an employee buy-out plan from ministers.

The union said it was considering an injunction against British Coal's abandonment of the review procedure and might invoke European Community competition law. The UDM also called for a public inquiry into the future of the industry.

Mr Peter McNestry, leader of the Nacods pit supervisors union, said the 30,000 job losses did not take account of all the private contractors working in pits and that the direct job losses could in fact be as high as 45,000.

Additional reporting by Catherine Milton, David Goodhart and David Owen

Picture Colin Beere

Black day: Outside the Clipstone colliery near Mansfield in central England, coalminer Christopher Northridge telephones his girlfriend with the news of his impending redundancy

Brussels fails to agree curb on powers

By David Gardner and Lionel Barber in Brussels

THE European Commission last night failed to endorse its radical proposals to curb its own powers, compounding the failure of the European Community's member states at last week's foreign ministers' meeting to define the principle of subsidiarity.

The risk now is that the emergency EC summit in Birmingham on Friday could magnify the impression of Community disarray.

The defining of subsidiarity – that the EC should act only where national or local measures would not be appropriate – was the issue which Mr John Major, the British prime minister and holder of the EC presidency, had hoped to make the centrepiece of the summit in an effort to demonstrate to sceptics in his own Conservative party and across Europe that the powers of the Commission were being reined in.

"John Major's problem is that everbody expects the member states to have a good go at the Commission to demonstrate that Brussels has been tamed," a senior Commission official said.

"The timetable now clearly points towards [December's summit in] Edinburgh, and it's difficult to see what people can do in Birmingham, because there's now no real agenda," he added.

Concern that Birmingham will produce no substantive results was evident in Bonn yesterday, when Chancellor Helmut Kohl met Mr Jacques Delors, the president of the European Commission.

German officials insisted that a "German initiative" is not being pressed by Mr Kohl.

However, they admit that he is extremely anxious to ensure that Birmingham does not collapse in disarray.

In addition to the delay on agreeing subsidiarity:

● Debate on reform of the

Continued on Page 22

Danes head for clash with EC over treaty, Page 2

EC and US closer to farm trade deal

By David Gardner and David Dodwell in Brussels

THE European Community and the US have all but resolved two of the three remaining disputes over subsidised farm trade, according to EC officials.

Hopes are high that this could soon clear the way for agreement on the Uruguay Round world trade liberalisation talks under the General Agreement on Tariffs and Trade, despite intense lobbying by farmers on both sides.

According to senior EC officials and leaders of the US Farm Bureau, the influential US farm lobby, Washington has agreed that compensation to European farmers for big price cuts agreed in May's reform of the EC farm regime will be exempt from the Gatt requirement to reduce overall domestic subsidies by 20 per cent.

The Uruguay Round "final act" will be rewritten to reflect this breakthrough, which nevertheless must be endorsed by the other Gatt negotiating participants, which number 108 in all.

The two sides are also now examining the legal texts of three formulas for cutting subsidised exports by up to 24 per cent. According to one senior official, this is very close to being agreed.

They still differ, however, on the extent to which the EC must cut its oilseeds output, to comply with a separate Gatt ruling. The main problem here is that the US is not confident the EC's farm reform can deliver sufficient cuts.

Talks in Brussels between the two sides' top negotiators were suspended late on Monday night after 21 hours, with both sides divulging nothing except that the gap between them had narrowed.

It is now clear that a deal could have been clinched then, but for last minute pressure from the US Farm Bureau. Mr Dean Kleckner, president of the Farm Bureau, agreed yesterday that he had been "kicking his heels" in Brussels on Monday.

Meetings are planned between Mr Frans Andriessen, EC external affairs commissioner, and Mrs Carla Hills, US special trade representative, in Ontario at the weekend, and between Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, US agriculture secretary, probably next week.

Officials from both sides say agreement has to be reached before the US presidential election in November 3 if the round is to be concluded. The betting in Brussels is that President Bush would like to announce an agreement in the week beforehand.

The EC is under strong pressure from France to concede nothing to the US which will affect its cereals exports, pressure which will be highlighted by today's "day of action" by protesting French farmers.

A senior official pointed out that even if the EC agrees to a full 24 per cent cut in subsidised cereals exports, the EC will still be able to export 23.5m tonnes in six years' time, when projections based on the reform show it will need to export only 19m tonnes.

Gatt trade policy review, Page 8

Euro Disney deal put under review

By Alice Rawsthorn in Paris

DISNEY, the US entertainment and leisure group, plans to reduce the financial pressure on Euro Disney, which operates the theme park on the outskirts of Paris, by renegotiating part of the agreement between the companies.

Euro Disney, which is 49 per cent owned by the US group, has been clouded by speculation about low attendances and merchandise sales since EuroDisneyland opened last April. The park has attracted 7m visitors in its first six months, but is expected to fall slightly below its original target of 11m visitors for the first year.

Mr Michael Eisner, Disney's chairman, said in Paris yesterday that his company could "do all sorts of different things to help Euro Disney. We are not going to allow a project as important as Euro Disney to suffer."

Disney receives a management fee of 3 per cent of turnover, plus royalties of 10 per cent on admissions and 5 per cent on catering and merchandise.

Euro Disney is also committed to paying an incentive fee to Disney when operating profits reach an agreed level. It must pay 30 per cent of operating profits above FFr1.6bn ($320m), 40 per cent above FFr2.4bn and 50 per cent above FFr3.2bn.

Mr Eisner said Disney was prepared to be "flexible". He said the management fee and royalties would remain intact, but Disney could "defer other payments". This suggests Disney might renegotiate the incentive fee, expected to be payable from next year.

The negotiations come at a time when analysts are concerned about Euro Disney's ability to finance the second phase of EuroDisneyland, fuelling speculation that it may have to raise further funds.

Mr Eisner confirmed that EuroDisneyland would be "a few hundred thousand below" its initial attendance forecast. However, Euro Disney is taking steps to improve attendance, with a priority to encourage people to visit at off-peak times.

Euro Disney's prospects have also been clouded by the postponement of its property development programme due to the downturn in French property. Its property income was intended to help finance the development of the second phase of the EuroDisneyland complex.

The latest forecast from Ms Rebecca Winnington-Ingram, European leisure industry analyst at Morgan Stanley, suggests Euro Disney will make a net loss of FFr216m in the current financial year, with another deficit of FFr185m next year, before breaking even in the following year.

CONTENTS

Bank chief urges firm monetary policy

By Quentin Peel in Bonn

GERMANY'S powerful savings bank movement yesterday urged the Bundesbank to stand firm in its tight monetary policy, and resist calls from both home and abroad to relax interest rates.

Mr Helmut Geiger, president of the German savings bank federation, delivered a staunch defence of the central bank's policy, criticising countries like the US, Britain and Italy for being too lax in their monetary control.

He also underlined the continuing doubts in the German business and banking community about the Maastricht treaty, saying the recent turbulence on the currency markets showed that economic and monetary union should not be introduced too hastily.

Mr Geiger's support for the Bundesbank, while predictable, will provide welcome public backing at a moment when calls for interest rate relaxation, in order to prevent the German economy tipping into prolonged recession, are multiplying.

"We call on the Bundesbank to stand firm by its money supply policy," Mr Geiger said. "This is the only chance we have to create reliable preconditions for economic growth. The Bundesbank must not give in to pressure. A premature cut in interest rates might be understood by the public as a capitulation to monetary depreciation. It might cause market rates to rise rather than fall."

He flatly rejected accusations that the Bundesbank was itself responsible for the upheavals in the currency markets. "That responsibility lies with those governments who simply failed to adjust their currency parities in good time to the changes in their value," he said.

As for the Maastricht treaty, he warned that European union would only succeed if currency union worked as a force for integration, not dynamite to blow the EC apart.

Denmark-EC clash likely on Maastricht

By Hilary Barnes and David Marsh in Copenhagen

DENMARK appears to be on a collision course with its European Community partners by calling for Maastricht treaty changes which may make a second round of Community-wide ratification necessary next year.

The scale of Maastricht amendments proposed by a majority of parties in the Danish Folketing (parliament) suggests that some renegotiation of the treaty may be required.

This would directly oppose the line taken by the other 11 states after Denmark rejected the treaty in its referendum in June. The rest of the EC then decided to press ahead with the ratification process, hoping to regain Danish support for Maastricht in a second referendum next year.

A first reaction to latest Danish thinking could come today when Prime Minister Poul Schlüter and Mr Uffe Ellemann-Jensen, the foreign minister, meet President François Mitterrand in Paris.

During the last few months, support for a hard-line approach to the problem caused by the Danish No has increased in the Danish parliament. This policy is supported above all by three non-government parties, the Social Democrats (SDP), the Socialist People's Party (SPP) and the Radical Liberals. Together the three have a majority of the seats in the Folketing.

Spokesmen for all three parties say that special arrangements for Denmark must be built into the treaty with a legally binding character.

Mr Holger Nielsen, leader of the SPP, which looks certain to play a crucial role in any Danish compromise on Maastricht, says he "cannot imagine" a solution which will not involve a new ratification process for other member states.

Mr Nielsen is pressing for changes above all in the treaty's language on defence and monetary arrangements. He also wants to slow the drive to European union in other areas such as police co-operation.

Arguing that significant alterations will be needed to make the treaty palatable to the electorate, Mr Nielsen says: "We cannot just have the same text and some candy-floss. If we just have candy-floss, the Danes will not be in favour."

"It is is difficult to see how a result can be achieved which will not require new ratification by the other states," commented Mr Niels Helveg Petersen, European market affairs spokesman of the Radicals.

Down the fast track to a pot of gold

Dublin will defend the punt strongly within the ERM, says Tim Coone

THE Irish government has felt shocked and helpless over the past month as it has watched sterling plunge to unprecedented levels against the punt and the UK stumble forward in search of a new economic policy to replace the one left in tatters when sterling abandoned the ERM.

Reynolds: committed to maintaining a firm exchange rate

The economic tidal wave from across the Irish Sea has forced Dublin to spend about half its currency reserves in defending the punt. It has also obliged it to renew borrowing overseas, has pushed up interest rates by three percentage points and has placed an estimated 30,000 jobs at risk, in a country with 300,000 unemployed – 21 per cent of the labour force.

When the Irish delegation arrives in Birmingham for the EC summit this Friday, they will doubtless acknowledge and welcome assurances from Prime Minister John Major that in due course sterling will be back inside the ERM and that his government will keep Britain, Ireland's main trading partner, firmly at the heart of Europe.

But they will not be making any plans on the basis of those assurances. Instead, their voices will be among those arguing that the ERM crisis has demonstrated the urgency of moving even faster towards monetary union and a single EC currency. That point has been made many times by Mr Albert Reynolds, the prime minister, since the ERM crisis began, and he is likely to restate it in Birmingham.

Mr Reynolds, told the Dail (parliament) last week that government policy "is, and will continue to be, the maintenance of a firm exchange rate within the narrow band of the Exchange Rate Mechanism".

He said: "Beyond the single market beckons the prospect of economic and monetary union which, through its co-ordination of economic and monetary policies, a single central bank and ultimately a single currency, will enable us in a market devoid of currency and interest rate fluctuations, to gain for our people a much higher standard of living."

That pot of gold lying at the foot of the EC rainbow has convinced the government that the cost of defending the currency over the coming months will be worth bearing.

Those costs have been spelt out by independent sources in the past week. Goodbody stockbrokers in Dublin estimate that at an exchange rate of £1.05 to the punt, I£250m will be lost by Irish manufacturers to UK competitors over one year. The 3 per cent interest rate increase will meanwhile reduce investment by I£200m, and personal consumption by I£100m.

Indeed, it is the high interest rates rather than the exchange rate itself, which are seen by most analysts as potentially more damaging. Mr Jim Lacey, chief executive of the National Irish Bank, said last week that high interest rates would reduce growth this year and impact adversely next year. "Real interest rates in Ireland now stand at 14 per cent. This is a heavy burden to bear and is the price of our link with the D-Mark."

He and most Irish economists conclude, however, that there is no viable alternative and that interest rates can best be brought down by defending the punt. "Interest rates will remain high over coming months and will only decline once German investors decide to put their money into this country again," he said.

In his speech to the Dail, Mr Reynolds said: "Our position is based on the conviction of the markets that government finances are firmly under control. Nothing can be done to shake that conviction. This is not the time to start thinking that we have leeway to increase the level of government borrowing."

He noted that economic stability and low inflation "was brought about by the consensus approach we adopted of forming an alliance between the government, employers, trade unions and farmers."

A continuation of the consensus through the difficulties ahead is vital if the government is to succeed in maintaining the current exchange rate policy. So far it has held.

To reinforce it, the government will be looking for reassurance in Birmingham that the proposed Delors II package of substantial increases in structural and cohesion funds, of which Ireland will be a major beneficiary, has not been discarded in the wake of the ERM crisis.

Mr Maurice Doyle, central bank governor, sounded a warning this week saying: "Realistically, these [funds] are likely to fall short of what is required, and must in any case be regarded as a second-best alternative to fiscal federalism. While European integration provides opportunities for less prosperous regions, it does not in any way guarantee an adequate narrowing of differences in real living standards between countries."

If such reassurance is not forthcoming, then it should not be surprising to hear a growing number of Irish voices being raised to question whether being in the fast track to monetary union is indeed worth the cost of ever-lengthening dole queues.

Kohl and Delors demand united front on treaty

By Quentin Peel

CHANCELLOR Helmut Kohl of Germany and Mr Jacques Delors, the president of the European Commission, insisted yesterday that the 12 EC member states must press ahead together in ratifying the Maastricht treaty on European union.

At the same time they agreed that the Community must show it is ready to "learn from its mistakes" and to answer the growing public concerns in many member states.

The two met for an extraordinary two-hour session in Bonn. "Birmingham must produce a clear signal of cohesion and confidence that Europe will continue to move ahead on the basis of Maastricht," they declared.

Germany is strongly supporting initiatives to strengthen the transparency of EC decision-making, and the need for maximum "subsidiarity".

Italy baulks at EC maternity plan

By Lisa Wood, Labour Staff

ITALY yesterday reiterated its opposition to a draft European Community directive on maternity rights, leaving EC social affairs ministers without their hoped-for compromise during an informal meeting in Wales.

The council of ministers has until October 19 to adopt the directive. If it lapses it will be the first social policy directive to do so since 1985.

Today deputy ambassadors of the Community will make an eleventh-hour attempt to forge an agreement after yesterday's meeting offered the Italians two small olive branches.

These included a review of the directive five years after its implementation.

In alliance with the European Commission and parliament, Italian ministers have repeatedly vetoed a watered-down package tabled by the Dutch and backed by the 10 other governments.

The Italians are seeking 16 weeks maternity pay at a level of at least 80 per cent of the woman's average wage. The other 11 member states have agreed to introduce a right to receive 14 weeks at a minimum of statutory sick pay as soon as they start work.

Mrs Gillian Shephard, the UK employment secretary and president of the social affairs ministers' council, denied yesterday that the Italian representative had walked out of the meeting following failure to reach an agreement.

She said she was baffled over why Italy opposed the directive. The Italian official position is that its maternity provisions are better than those contained in the proposed directive.

However, it is understood that linking sick pay to pregnancy entitlements could cost Italian employers more.

The second compromise, offered at the meeting at the request of the Italians, sought to clarify the fact that the Council was not equating pregnancy with sickness.

Mrs Shephard said she understood this was a technical point.

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Four-hour stoppage by at least 6m workers takes toll of industry and transport in staggered action across the country

Violence mars Italian strike

By Robert Graham in Rome

AT LEAST 6m workers yesterday took part in Italy's tenth general strike in 12 years, hitting industry and transport in a four-hour staggered stoppage marred by violence in Milan.

Mr Sergio d'Antoni, leader of the CISL, the Christian Democrat-controlled confederation, was slightly injured on the lip when union militants and right wing extremists joined forces to hurl coins and bolts at the speaker's podium as he addressed a mass meeting. Milan was also the scene of violence last month during a four-hour regional stoppage.

The strike had been pressed for by the largest and most combative of Italy's three union confederations, the CGIL, which is run largely by former communists. Called in protest against proposed welfare cuts in the 1993 budget, it was the culmination of a series of co-ordinated regional four-hour general stoppages begun last month and organised by all three confederations.

However, the strength of the protest was undermined by public divisions between the unions, a lack of public support, and a growing appreciation of the government's lack of room for manoeuvre.

The CISL and the Social Democrat-oriented UIL accepted the national stoppage with reluctance and deliberately called it for yesterday, too soon for the statutory two weeks' notice needed to include essential services.

Yesterday's action seemed as much as anything a controlled exercise in allowing the rank and file to vent their fears and frustrations over impending austerity, reduced welfare benefits and the loss of the link between wages and inflation.

The demonstrators themselves appeared mostly to be on the streets out of a mix of nostalgia for the mass protests of the seventies and confused impotence in the face of an economic crisis.

The system of indexed wages, the *scala mobile*, was abolished by mutual agreement in July between the union leaders, Confindustria, the employers' confederation, and the government. The agreement provoked a groundswell of protest against the union leadership, especially the CGIL, causing Mr Bruno Trentin, its leader, to offer his resignation. He agreed to stay on only after a special congress, but he has since been treading a tightrope between placating this discontent and supporting his friend and former CGIL colleague, Mr Giuliano Amato, the Socialist prime minister.

His task has been complicated both by the tough measures proposed in the 1993 budget capping pensions and reducing national health benefits, and by the prospect of wages being eroded next year by the inflationary effects of the lira's devaluation.

The Amato government has little room for manoeuvre in making concessions without reducing anticipated revenues and in the process undermining domestic business and international confidence. Equally, if the government holds firm, union leaders risk being exposed as weak.

The authority of the three confederations has already been eroded by declining membership and the formation of workers' committees in key sectors such as the railways, education and air transport. The CGIL also reflects the continuing ideological turmoil caused by the collapse of communism and the split in the former Italian Communist Party. At least 15 per cent of the CGIL consists of hardline communists threatening to form their own confederation.

Workers in Milan vent their anger during a four-hour strike against drastic budget cuts and tax increases. A union leader addressing the gathering was slightly injured by coins and bolts thrown by militants

The colour is grey for Paris spring fashions

Economic chill takes the brightness out of French designers' big week, writes **Alice Rawsthorn**

THIS morning the Paris fashion designers will unveil the first of their spring collections in the sumptuous Cour Carrée of the Louvre museum against the gloomy economic backdrop of the global economic slowdown and this autumn's currency crisis.

The Paris designers, like the rest of the international fashion industry, are already bruised by two years of recession in the US and the downturn in Europe. After a decade of uninterrupted growth their combined sales fell by about 11 per cent to FFr4.55bn (£530m) last year, according to the Chambre Syndicale de laCouture, the body which represents the French fashion houses.

This year has been worse. Until recently the designers could count on healthy demand from Japan, by far their most dynamic market in the 1980s, to compensate for the slowdown in the west. But since the collapse of the Tokyo stock market in March, sales in Japan have fallen sharply.

French designer fashion market

Source: Chambre Syndicale de la Couture *In 1991 prices

"The market is in a very sensitive state, although we had anticipated most of the problems apart from the difficulties in Japan," said Mr Michel Pietrini, chairman of Lanvin, one of the oldest French fashion houses which is staging a lavish relaunch in Paris this weekend.

There are already signs of strain among the fashion houses. Jean Colonna, a leading young Paris designer, filed for bankruptcy this spring, although he has since managed to start up in business again. Yves Saint-Laurent, the bastion of France's fashion establishment, barely broke even in the first half of this year. Recent reports in the Japanese press suggest that some of the Tokyo designers may stop showing in Paris next season, which could damage the city's credibility as *the* international fashion centre.

The outlook is worse. The immediate problem is the currency crisis which could depress sales of this week's collections because of the French franc's strength against key currencies such as the US dollar and Italian lire.

"Of course, the currency crisis is of prime concern," said Mr Bernard Arnault, chairman of the LVMH luxury goods group, whose fashion interests include Christian Dior, Christian Lacroix and Givenchy. "But it isn't the first and it won't be the last."

The short-term pressures of currencies and recession have disguised the longer term problems facing the fashion designers. One issue is the impact of the expansion of the new breed of luxury goods groups, notably LVMH and Dunhill, which this summer bought the Karl Lagerfeld fashion house and also hired Mr Lagerfeld as chief designer for the Chloé collection which will be shown this afternoon.

> The designers are already bruised by two years of US recession and the downturn in Europe.

These groups have deployed their financial resources to raise the cost of competing in designer fashion. Advertising budgets have escalated, as have the bills for fashion shows. The super-models, Linda Evangelista and Claudia Schiffer, can command fees of $10,000 to $15,000 a show because the big houses are willing, and able, to pay them.

Mr Arnault has sunk at least £18m into launching Lacroix. L'Oréal, the cosmetics company, and Orcofi, the luxury goods consortium, are relaunching Lanvin on a similar scale. Such budgets, like the super-models' fees, are well beyond the means of independent houses and have intensified the financial pressure on young designers such as Jean Colonna.

The designers must also adjust to the change in consumer tastes away from the ostentatious affluence that dominated the 1980s and was so beneficial to sales of designer fashion. "Flamboyance is out," said Mr Arnault. "Today consumers prefer to indulge themselves rather than to show off."

So far the designers' have failed to respond. Fashion in the early 1990s has polarised between the baggy, black *recyclage* (recycled) look of the young designers, Jean Colonna and Martin Margiela, and the *fin de siècle* stylistic excesses of the established houses.

The 'hippy de luxe' look seen at last week's fashion shows in Milan marked the start of the designers' attempts to adapt to the new era. It is now the turn of the Paris designers to show what they can do – however chilly the economic climate may be.

Germany warned of threat from far-right

By Leslie Colitt in Berlin and Reuter in Bonn

RADICAL right-wing movements will present the most serious threat since 1945 to Germany's political stability, two German specialists warned this week.

A large number of Germans in the east and west already supported militant right-wing opposition to asylum-seekers entering and living in Germany, according to Mr Ernst Uhrlau of the Hamburg Agency for the Protection of the Constitution, which collects and evaluates information about German extremist movements. They had become disillusioned with the existing main parties.

Mr Uhrlau said the current wave of violence, mainly against refugees, was an alarming signal. He feared that extremist parties would come to represent the "silent majority" of Germans who were being pushed towards the extreme right. Right-wing extremists, who numbered at least 60,000, according to Mr Uhrlau, had provoked 1,400 assaults this year.

Ms Barbara John, head of the Berlin office for foreigners, said she believed Germany's political system could cope with "this last flare-up of an old ideology". But she added that for the first time in the postwar era right-wing parties had found a central issue – the growing number of asylum-seekers entering the country. This is expected to exceed 400,000 this year.

Mr Uhrlau said he believed grass-roots support for the right was growing, especially among disaffected young people between the ages of 17 and 21. Extremists were also profiting from the anger many disadvantaged east Germans felt towards west Germany. Mr Uhrlau was speaking at a conference in Germany organised by the Aspen Institute in Berlin.

Mr Claus Leggewie, professor of political science at the University of Giessen, said he believed that as much as 20 per cent of the German electorate had passively supported right-wing extremist views in the past. He feared such people would actively support parties espousing those views in the 1994 national elections.

This was the reason the Bonn government was reluctant to crack down forcefully on the extreme right, he claimed. "By the time Chancellor Kohl got around to condemning the violence no one believed him," Mr Leggewie added.

In Bonn yesterday, leaders of Germany's governing parties agreed that asylum seekers from states deemed free of political persecution should be expelled immediately without a court hearing.
However, the draft plan requires a constitutional amendment which depends on the backing of the opposition Social Democrats.
512 words from

Factory boss picked as Ukraine's premier

By Chrystia Freeland in Kiev

UKRAINE'S parliament yesterday voted overwhelmingly for the appointment of the manager of the world's largest missile factory, Mr Leonid Kuchma, as the country's new prime minister.

As head of the Yuzhmash plant in eastern Ukraine, Mr Kuchma is a political unknown. But he was proposed by President Leonid Kravchuk and won the support both ofnationalist MPs and the majority ex-communist bloc in the legislature.

His appointment represents a victory for Ukraine's increasingly vocal industrial lobby but its implications for Ukraine's faltering economy are unclear.

A western diplomat described Mr Kuchma, a spare, white-haired engineer with a reputation as a good manager, as "a Ukrainian Volsky" – a reference to the leader of the Russian industrial lobby who is seeking to put a brake on Russian economic reform.

Fierce criticism of the handling of the Ukrainian economy – which is plagued by inflation of more than 30 per cent a month and a steep fall in industrial production – forced Mr Vitold Fokin, Ukraine's first prime minister, to resign last month.

Mr Valeri Ivasiuk, a member of the nationalist opposition movement, Rukh, said he backed Mr Kuchma because "Mr Kuchma and his team represent a new force. They are not from the party apparatus like Fokin, instead they represent the military industrial complex".

Mr Kuchma was put forward by Mr Kravchuk after a week of furious backroom negotiating. Mr Kravchuk's preferred candidate is reputed to have been Mr Valentin Symonenko, an ex-party boss from Odessa who is first deputy prime minister. However, the increasingly assertive parliament favoured Mr Kuchma.

In a brief policy statement, Mr Kuchma said his goal was to "transform the post-socialist economy into a market economy". But, echoing the policy of the previous government, he said that reform must be "evolutionary" and guided by "a combination of administrative and market methods".

He suggested that as a transitional step to privatisation all Ukrainian enterprises should be transformed into joint stock companies, in which the government would retain control over the majority of shares.

This approach is bound to cause concern among western experts, who have warned that it would only superficially change the form of ownership and would not weaken the government's stranglehold over the economy.

The consensus inside parliament yesterday contrasted sharply with violence on its steps as hundreds of police clashed with students demonstrating for new elections and Ukraine's exit from the Commonwealth of Independent States.

Two students were taken to hospitaland two dozen students and a western cameraman detained by regular and riot police armed with tear gas and rubber truncheons.

The parliament, which was elected under restrictive conditions in 1990 and is dominated by ex-communists, is under fierce attack from the student protestors. Two years ago, the students forced a prime minister to resign through a hunger strike.

Kosovo protest is crushed

By Laura Silber in Belgrade

SERBIAN police yesterday used tear gas and truncheons to disperse a demonstration by thousands of ethnic Albanians in Pristina, Kosovo, the mostly Albanian province in southern Serbia.

Army jets swooped over the Kosovo capital as the protesters gathered for the second day, demanding the opening of Albanian language schools and university.

Mr Ibrahim Rugova, the Albanian leader, said in Pristina yesterday the violent break-up of the demonstration was a provocation by Serbian President Slobodan Milosevic intended to show he still controlled the province.

Scores were killed in 1989 when the Serbian president forcibly brought Kosovo under direct rule by Belgrade. Mr Milosevic may use Kosovo, seen by Serbs as the cradle of their civilisation, to rally popular support in Serbia, flagging after 15 months of war and United Nations sanctions.

Mr Milan Panic, the Yugoslav prime minister, said yesterday it would be easier to get sanctions lifted if Mr Milosevic resigned. Mr Milosevic is seen by the international community as the main instigator of the war in Bosnia.

In an attempt to re-integrate Kosovo's 1.9m ethnic Albanian population into Yugoslavia, Mr Panic has pledged to reform the educational system, boycotted by Albanians after Serbia imposed its own curriculum. However, it is unclear whether he would be able to get the reforms passed in the face of Serbian government opposition.

Mr Panic, who has also vowed to fight for human rights in the province, admitted his political capability would be tested in Kosovo.

But he said his plan for educational and cultural reform in Kosovo, was "so good I believe everybody will co-operate...It would be deadly for him [Mr Milosevic] to disagree."

Serbian riot police bludgeon an Albanian demonstrator in Pristina yesterday

Banks row stifles Russian oil output

By John Lloyd in Moscow

A ROW between western bankers has blocked finance for desperately needed equipment to help Russia arrest its rapid decline in oil production.

The European Bank of Reconstruction and Development has a plan to finance purchases of oil and gas equipment through credits from western commercial banks and the US Exim bank.

Oil output has plunged from a peak of 570m tonnes in 1987 to about 395m this year and an estimated 340m-350m in 1993. Russian oil producers in the Tyumen region have a $1.5bn shopping list for production equipment, 5bn, although so far only $150m of that has been costed and agreed.

However, the entire project has been held up by objections from the World Bank. The issue, over which body has first call on repayments, now has to solved by Mr Lewis Preston, World Bank chairman, and Mr Yegor Gaidar, the acting Russian prime minister.

The Russians aim to pay back the credits with revenue gained from the extra production which the new equipment will bring, a pledge which the EBRD, Exim Bank and other banks are willing to accept.

However, under the World Bank's "negative pledge" rule, it will not permit other lenders to be treated more favourably than it in the repayment of credits – and sees a pledge of future oil output to the EBRD, when no such pledge has been made to it, as more favourable treatment.

The World Bank is providing more than $1bn of credits for various projects.

The issue is important, since the World Bank must protect its "Triple A" credit rating from possible dilution by such deals. Russian officials are now suggesting deals of this kind to other future lenders, but are being held back by the World Bank's objections.

Efforts by the World Bank and the Russian government to circumvent the problem have met stiff resistance from the Bank's lawyers. The nervousness of all concerned is rooted in the perception that Russia now is a high risk debtor, suffering from a chronic lack of hard currency and unable to pay either principal or interest on existing loans.

Russian President Boris Yeltsin has intervened to lift the travel ban on Mr Mikhail Gorbachev, the former Soviet president, on "humanitarian grounds" so he can attend the funeral of former West German Chancellor Willy Brandt in Germany at the weekend.

Russia's constitutional court imposed the ban in an attempt to force Mr Gorbachev to appear at hearings deciding the fate of the Communist party.

OECD criticises aid efforts to republics

By Peter Norman, Economics Editor

IMPORTANT gaps exist in the efforts of the industrial nations to spread economic, management and political expertise to the republics of the former Soviet Union, according to an OECD report.

Reviewing "technical assistance", or the spread of know-how to the newly independent states, the OECD said:

- Western donor countries were providing insufficient guidance to the republics on environmental problems.
- The donors' aid efforts, in both the humanitarian and know-how sectors, gave too little attention to the republics' need to improve shelter, housing and construction.
- The number of projects aimed at building democracy was, at only 2 per cent, too small in view of the republics' inexperience in such matters.
- The provision of expertise about health and social safety nets is neglected in some republics.
- The geographical spread of technical assistance is uneven with the needs of the central Asian republics being crowded out by larger republics.

LEGAL NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE ON THE PROPOSED ACQUISITION OF PARKER PEN HOLDINGS LIMITED BY THE GILLETTE COMPANY

The Monopolies and Mergers Commission would like to hear from any person with information or views on the proposed acquisition by the Gillette Company of Parker Pen Holdings Limited.

The Commission will be considering whether the proposed acquisition raises competition concerns in the writing instruments market, with particular reference to refillable writing instruments and refills, and whether the merger may be expected to operate against the public interest.

Evidence should be sent in writing as soon as possible to: Mr E Pash, The Reference Secretary (Gillette/Parker Pen), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

NOTICE OF A MEETING OF CREDITORS
CROWN CONSERVATORIES UK LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a Meeting of [illegible]ditors of the above-named Company will be held at 7 K[illegible]nick Place, London W1H 3FF, on 5th November 1992 at 10.30 am for the purposes mentioned in Sections 48 and 49 of the said Act.

A person is only entitled to vote at the meeting if:

a) details in writing of the debt claimed to be due from the Company have been given to us, not later than 12.00 noon on the business day next before the meeting, and

b) there has been lodged with us a proxy which is intended to be used at the Meeting.

If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, and any proxy which you wish to be used on your behalf, to the offices of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF.

Dated this 7th October 1992

Jacqueline B. Stephenson, Joint Administrative Receiver

Revised economic blueprint for second term being drawn up by James Baker

Bush plays Clinton draft issue to full

PRESIDENT George Bush served warning yesterday he will not stop criticising Mr Bill Clinton for avoiding the draft and taking part in demonstrations against the Vietnam war 23 years ago. It was time, he said, for his Democratic opponent in the presidential election "to level with the American people," writes Jurek Martin in Washington.

The second string to his arguments in the two remaining presidential debates, Mr Bush indicated, was that the economy was not in such bad shape. Mr James Baker, his chief of staff, was preparing a revised economic blueprint for a second term, to be implemented by a completely new administration team under Mr Baker's direction, at least initially.

Mr Clinton was instantly dismissive of Mr Baker's new broom. "They're on a losing streak and the coach wants to fire the team. In America, when you have a losing season the coach gets fired, not the team."

Appearing unannounced on a morning television programme commemorating the 200th anniversary of the building of the White House, Mr Bush said repeatedly that he was not impugning Mr Clinton's patriotism but his judgment and character in protesting against the war while Americans were held prisoner by the North Vietnamese.

He directly addressed Mr Clinton's most effective intervention in Sunday's debate. "He talked about my father. My father served his country and my father believed in duty, honour and country. And I, like my father, do not believe in McCarthyism and this isn't McCarthyism."

Mr Bush said Mr Clinton "ought to come clean on the draft. I mean, a lot of kids ducked the draft, some of them went to Canada. But they didn't try to have it both ways; protect the political viability and then tell different stories about it."

He bristled when asked if he, too, should "level" with the country about his knowledge of the Iran-Contra affair, saying he and his staff had answered thousands of questions on the subject.

Mr Clinton responded by saying his draft record and Iran-Contra were not directly comparable because "the meagre evidence we have supports my account while... the documentary evidence of the phone calls of two of [Mr Bush's] cabinet members, the record of the meeting he was in, all that stuff, contradicts his account."

The nature of the president's answers suggests a continuing conviction that Mr Clinton can be brought down by the issue and a certainty he will try to make the most of it in the next two debates. To Mr Bush's critics and to the Clinton campaign this smacks of desperation as there is little evidence that the public is much exercised by what the Democratic candidate did as a young man opposed to the Vietnam war.

For example, the New York Times printed a letter yesterday from Mr John Harkey, a Vietnam veteran and Air Force Academy graduate, who recalled that it was routine for military schools to put forward their best students for Rhodes scholarships and other postgraduate studies that meant they did not go to Vietnam.

Reaching out: Supporters jostle to shake hands with Governor Bill Clinton during a campaign stop in Philadelphia

Probe into claims FBI chief violated ethics rules

By Alan Friedman in New York

THE US Department of Justice is investigating Mr William Sessions, director of the Federal Bureau of Investigation (FBI), and his wife for the possible violation of ethics rules.

The probe of Mr Sessions comes just three days after the Justice Department called in the FBI to investigate whether Central Intelligence Agency or Justice Department officials deliberately concealed intelligence reports relating to the scandal over \$5bn (£2.8bn) of illegal loans made to Iraq by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

The investigation of Mr Sessions and his wife – concerning allegations made in anonymous letters that they misused government cars and aircraft and that Mrs Sessions misused her FBI building pass – triggered suggestions by Democrats that the probe may be a politically inspired attempt to intimidate the FBI.

Mr Paul McNulty, a Justice Department spokesman, yesterday denied these suggestions, which came from congressional investigators. "That is utter nonsense. There is no tension between us. It just ain't so," he said.

The FBI fracas comes in the wake of a public row between the Justice Department and the CIA over the BNL affair.

The FBI acknowledged yesterday that there had been "some confusion reflected in the media concerning the investigation of certain issues relating to the Department of Justice prosecution in the BNL case."

Last weekend Mr William Barr, the attorney-general, called in the FBI, which reports to him, and asked it to investigate possible misconduct by senior administration officials in the handling of CIA reports. The reports, which were withheld from Judge Marvin Shoob, the federal judge who presided over the BNL case, contradicted the central premise of the government's argument in court that the \$5bn of Iraqi loans were single-handedly orchestrated by BNL's former Atlanta branch manager.

An aide to Senator David Boren, chairman of the Senate intelligence committee, confirmed yesterday that Mr Sessions had assured him the FBI would conduct its BNL probe without sharing its information with the Justice Department, whose officials might be targets of the investigation.

But Mr John Collingwood, the FBI spokesman, said yesterday the FBI and Justice officials would work closely together on the BNL probe.

He said Mr Sessions told Mr Boren the FBI would pursue the investigation wherever it led. "What the director meant to tell Senator Boren is that he does not expect to be inhibited by Justice or by anyone else," Mr Collingwood said.

Political turmoil jars Venezuela

By Joseph Mann in Caracas

CONFIDENCE in Venezuela's ability to return to stability following a failed military uprising in February has been shaken by renewed political turmoil.

President Carlos Andrés Pérez admitted this week that several officers in the armed forces had been questioned by the military intelligence office. Newspaper reports, which could not be independently confirmed, have indicated that both military officers and civilians had been questioned about an alleged conspiracy against the government.

The reports came after several weeks of heightened political tension, following an attempted assassination, death threats against allegedly corrupt politicians, radio censorship, renewed student protests and rumours of a new military rebellion.

This week the government was forced to deny initial reports that a presidential assassination attempt was made on Monday when Mr Pérez was visiting the western state of Zulia.

According to official reports, a lorry drove at speed past a bus carrying Mr Pérez and other officials following the inauguration of a new hospital in the town of Paraguaipoa. The truck refused orders to halt, and the president's security team shot and killed the driver and his passenger, identified as Guajira Indians who were said to be drunk.

Eleven other people – including security guards and children – were reportedly injured, either by gunfire or the out-of-control lorry. Reports said shots were fired by people other than security officials, but it is not clear where they came from.

The incident follows an attempt last month on the life of Mr Antonio Rios, the former president of Venezuela's largest labour organisation – the CTV – and a long-serving official of the ruling Democratic Action party.

The alleged perpetrator, César Eduardo Peña La Cruz, said he was working with a new political organisation called the Bolivarian Liberation Forces, which was dedicated to killing prominent Venezuelan figures identified as "corrupt". Mr Rios, who was shot and seriously wounded, is facing charges of influence peddling. He has denied wrongdoing.

Caracas to accelerate sell-off programme

By Stephen Fidler
Latin America Editor

THE Venezuelan government plans to accelerate its privatisation programme with the sale of more than 100 enterprises and minority shareholdings by the end of 1993.

Mr Carlos Hernández Delfino, president of the Venezuelan Investment Fund responsible for privatisation, said the programme would include the sale of three electricity generation and distribution companies – Enelbar, Enelven and Enelco. The sale of the Planta Centro thermal power generation plant is also planned.

The privatisation programme has been almost moribund since an attempted military coup in February, which marked the beginning of a period of political turmoil in the country. Government figures suggest only \$17m (£9.5m) has been raised in privatisations so far this year.

Mr Hernández Delfino said late last week in an interview that the government was "totally committed to the privatisation programme."

Many enterprises that belonged to the defunct Venezuelan Development Corp can be sold as soon as the government is ready. The assets of one, Ceramicas Cumaná, will be auctioned tomorrow.

Egyptians search for survivors

By Tony Walker in Cairo

THE DEATH toll in the Cairo earthquake rose yesterday to an estimated 450 people, with some 4,000 injured.

Casualty figures may range higher as the search for survivors continues in collapsed buildings, many of them crumbling tenements, in poorer areas of the city of 12m.

It has been one of Egypt's worst national disasters and prompted President Hosni Mubarak to cut short a state visit to China.

Among the worst tragedies was the collapse of a 14-storey building in the comfortable middle-class suburb of Heliopolis. Early yesterday, rescue teams were still scrabbling through the debris with little hope of finding anyone alive as tearful relatives looked on in stunned disbelief.

In the poorer areas of the city hundreds of flimsy, jerry-built structures were made uninhabitable.

According to official figures, more than 100 buildings collapsed or were partly damaged, but this almost certainly under-estimates the extent of the destruction in a city where lax building codes are the rule rather than the exception.

The quake hit just on peak hour as children were streaming out of schools and office workers were returning home for a traditional late Egyptian lunch. As the casualty toll mounted, the government broadcast urgent appeals to motorists to stay off the roads to allow ambulances and fire engines clear passage.

At Cairo's main Kasr el-Eini hospital, Dr Khayri al Samra, the superintendent, reported that casualty numbers were the worst since the 1973 October war against Israel.

Many injuries, he said, were caused by panic. People had suffered fractures after jumping from swaying buildings or had been trampled underfoot in the mad rush to escape wildly-shaking tenements. Others were trapped in alleyways.

Most schools were closed yesterday as the authorities checked structural damage. Many among the 450 so far feared dead were children crushed while escaping from classrooms.

Fearing a second quake, thousands of people spent the warm night outdoors, some driving into the desert and others taking refuge in the open areas of private clubs.

Egypt's famed monuments appear to have escaped unscathed. No damage was reported to the Pyramids or to the Sphinx and museums survived more or less intact. The Aswan High Dam, about 1,000 kilometres south of Cairo, was unaffected.

Life in Cairo yesterday was returning to normal with most offices functioning and streets filled with traffic. However, there were many citizens with sad stories to tell.

A Cairo resident is pulled from the rubble yesterday after being buried for eight hours

De Klerk sets ANC demands

By Patti Waldmeir in Cape Town

MR F.W. de Klerk, the South African president, yesterday stated that he would not share power with the African National Congress (ANC) until it ousted radicals from its ranks and disbanded its armed wing. Both these demands could place a serious obstacle in the way of early progress to a multi-racial interim government.

Mr de Klerk told a special session of the country's white-dominated parliament that he did not expect the South African Communist party (SACP), the ANC's closest ally, to form part of the first multiracial government "because they do not have the support of the people". This is likely to be contested by the ANC, many of whose top leaders are also officials of the Communist party.

Communist leaders have made clear they intend to contest the first multiracial elections in alliance with the ANC.

Following the deaths of 26 people during an ANC march, led by SACP leaders, in the Ciskei black homeland, Mr de Klerk has taken a tougher line against radicals in the ANC, whom he sees as frustrating talks on a new constitution.

Mr Roelf Meyer, the minister of constitutional development, highlighted the slow pace of these negotiations when he said on Monday night that he did not expect the first all-party elections to take place before the end of next year.

Mr de Klerk has recently come under sharp criticism from whites both inside and outside his party for making too many concessions to the ANC, including a recent agreement to free hundreds of political prisoners, some of whom committed terrorist crimes.

Yesterday the president said the ANC would have to become a registered political party before he would consider sharing power in an interim government. "I am not willing to form a government of national unity with the ANC as it is now. It must get rid of the radicals ... it must undergo a transformation," he said.

He added: "It must get rid of the uniforms and the weapons ... it must be transformed from a militant movement into a political party." ANC spokeswoman Gill Marcus said the policy-making national executive committee would consider Mr de Klerk's comments on Wednesday.

Wrapping up a two-day debate on multi-party democracy talks and measures to combat the country's endemic political violence, Mr de Klerk said he would never submit to radical pressure or hand power to a dominant majority.

NZ bank inquiry could kill £450m bid

By Terry Hall in Wellington

THE National Australia Bank will consider calling off its NZ$1.5bn (£478m) takeover bid for the Bank of New Zealand if there is a full public investigation of the bank, Mr Don Argus, NAB's chief executive said yesterday.

He was responding to rising calls for an inquiry into the bank's operations and alleged secret deals between 1986 and 1991, when it had required taxpayer support.

The Securities Commission is due to meet today to review its previous decision that there is no need for an investigation.

Mr Argus said similar inquiries into Australian banks had been costly and debilitating and an inquiry into the BNZ had the potential to severely damage its franchise in New Zealand, he said, and thus its value to the NAB.

● The New Zealand government recorded a deficit of NZ$2.53bn (£807m) in the year to June 30, compared with a forecast NZ$3.16bn, writes Terry Hall.

Interest rates fell and the exchange rate firmed following yesterday's announcement on expectations that the government would curtail its NZ$4.45bn borrowing.

Hard times and loose banking draw Nigerians to drugs trade

Plenty of couriers and a free-wheeling financial sector have turned Lagos into world's leading source of trafficking, writes Julian Ozanne

TO DRUG enforcement officers they are known as "swallowers" or "mules" and in recent years Nigerians, who ingest condoms and balloons filled with heroin and cocaine, have emerged as the world's leading drug traffickers.

British officials say more Nigerians were arrested in the last three years trying to smuggle narcotics into the UK than any other nationals. And in the US customs agents estimate that sophisticated Nigerian drug rings account for more than 40 per cent of heroin seizures at US ports of entry.

The multi-million dollar illicit trade in drugs is tightly controlled by Nigerians who use Lagos as a transit station and exploit the country's loose banking system, porous borders and a police and customs force notorious for corruption.

Hundreds of kilogrammes of Asian heroin, mostly from India, Thailand and the Golden triangle, and cocaine from South America pass through Lagos for storage and repackaging before onward shipment to the US and Europe. Nigeria has also become the second largest world supplier of cannabis after Ghana, exporting 5,940lb last year.

Last year US customs agents seized 526lb of white heroin, with a street value of $23.9m, from Nigerian controlled smuggling operations. In the first five months of 1992 seizures had increased to 361lb.

Officials say it is impossible to know what percentage of drugs smuggled into Europe and the US are seized but estimates vary from 5 to 40 per cent. For customs officers the difficulty with the Nigerian drug rings stem from the large quantity of "swallowers" that are used and the increasing sophistication of the cartels.

The greatest problem, according to one drug enforcement officer, is that western prison sentences offer no deterrent to potential smugglers.

"Five years in a western prison with three meals a day, television, the chance to get an education and earn some pocket money is no deterrent to a Nigerian making $30 a month who is suddenly offered $5,000 to make a drug run," the official said.

The "Nigerian connection" in the international drugs trade first surfaced around 1984-85 and has grown as the economy of the once rich oil producer has plummeted. Nigerians have seen one of the fastest declines in living standards, with gross domestic product per capita falling from $1,000 in 1980 to $370 in 1986.

Nigerian drug barons have also flourished in a country where it is easy to launder drug money through the free-wheeling banking sector and where the recently established National Drug Law Enforcement Agency is inadequately funded. Western drug officials also say that widespread corruption in the police force, customs service and even in the judiciary and the absence of tough conspiracy laws has protected Nigerians from being arrested and brought to trial.

Earlier this year Mr Frank Odita, Nigeria's police commissioner, said that 13 judges and a policeman had been implicated in the illegal release of 120 suspects awaiting trial on trafficking charges. Many were freed using forged bail bonds and release orders.

The NDLEA itself has also faced accusations that some of its agents are being paid off by the drug rings. Last year the agency's arrest rate fell sharply and so far it has yet to achieve a big conviction.

Mr Adeogba admits that "not everybody in the agency is a saint" but says that the critical problem facing the agency has been insufficient support for training, funding and sharing of Nigerian controlled drug assets seized overseas. He says last year 72 per cent of the $1bn of drug related assets seized by the US Drug Enforcement Agency were controlled by Nigerians and that some of these funds should be given to Nigeria to help fight the drug war.

Western donors, however, say that until the agency cleans up its record and spends the money it does receive more efficiently, it is difficult to justify further funding.

Kanemaru likely to resign from LDP

By Robert Thomson in Tokyo

JAPAN'S most powerful politician, Mr Shin Kanemaru, the "godfather" of the ruling Liberal Democratic party (LDP), last night said he would resign from the party and the parliament in response to public outrage over his violation of political funding laws.

But the suggestion of resignation was characteristically Kanemaru. Even Mr Kiichi Miyazawa, the prime minister, was puzzled by the intentions of the "godfather" and the Japanese public wondered whether the resignation would be permanent or merely one more strategic turn by a master strategist.

Mr Kanemaru, 78, was said by colleagues to be planning a formal announcement today, but senior members of his faction, the largest in the LDP, were already brawling over their share of his power, which is considerable. The faction has the final say on most important matters of policy and personnel.

From early yesterday, Mr Kanemaru received officials from his faction, some of whom said he had decided to retire, while others suggested he had yet to make a final decision. Mr Miyazawa, who owes his position to the machinations of Mr Kanemaru, appeared confused by the day's events, and heard second-hand of his intentions.

The controversy began in late August, when Mr Kanemaru announced that he had received Y500m (£2.4m) from a scandal-tainted parcel delivery company, Tokyo Sagawa Kyubin. Even though the amount clearly exceeded the Y1.5m limit on funds a politician can receive from one company, Mr Kanemaru apparently believed he would not be pursued by prosecutors.

Having created a controversy, Mr Kanemaru retired to his Tokyo house for more than a month, negotiating indirectly with prosecutors, who allowed him to draft his confession at home and merely sent him a notice that he should pay a Y200,000 fine.

The lenient treatment outraged ordinary Japanese, and petitions were circulated demanding that he quit.

Mr Kanemaru presumed the pressure would soon fade, but the calls for his resignation have grown in recent days, with a government minister suggesting on Monday that he must leave. The minister said the violation was unacceptable, as were Mr Kanemaru's dealings with gangsters, whose good offices he apparently used to silence protests against the LDP by extreme right groups.

The same groups were cruising Tokyo streets in their sound vans last night warning that Mr Kanemaru's departure would allow a former prime minister, Mr Noboru Takeshita, to regain control of the faction and eventually to become prime minister again. Mr Takeshita was forced to resign three years ago after having been implicated in a stocks-for-favours scandal.

However, the faction is in danger of splitting. Opponents of Mr Kanemaru's chosen successor, Mr Ichiro Ozawa, are attempting to muster enough support to force him to share power with them. Policy-making will become even more tortured than usual, as the most influential politicians struggle to secure their positions.

Japanese industrial investment depressed

By Charles Leadbeater in Tokyo

JAPANESE industrial investment, which has been falling for almost two years, is still depressed, according to official figures for new machinery orders published yesterday.

The Economic Planning Agency said private sector machinery orders in August, excluding shipbuilding and electricity suppliers, rose by 3.9 per cent from the month before.

However the increase was largely due to an extraordinary 204 per cent rise in orders from oil and coal producers.

Excluding this surge which is likely to be temporary, overall private sector orders for new machinery fell by 2.4 per cent in August from the month before to a level 20 per cent below August 1991.

The level of new machinery orders from the private sector is a closley watched indicator of investment trends. Private sector investment in plant and equipment, which accounts for about a fifth of Japanese gross national product, has been cut back severely as manufacturers cut costs in the face of a steep fall in domestic demand.

In the late 1980s investment, which grew at a rate of about 15 per cent a year, was one of the main engines of economic growth.

Car industry orders rose by 32 per cent to Y46bn (£223m) from July, but the level of orders is still about 15 per cent below the Y54bn of August 1991. Orders from the electronics industry, which rose by 6.7 per cent on July, were a third below their Y92bn level of August 1991.

The paper, chemicals, rubber, ceramics and food industries saw falls in August ranging between 16 per cent and 45 per cent. Non-manufacturing machinery orders fell 12 per cent in August from the month before with information services orders down 63 per cent. Construction orders fell 15 per cent.

Executives held on charges of rigging contract bids

By Charles Leadbeater in Tokyo

SIX executives from five of Japan's leading printing companies were yesterday arrested on suspicion of sharing profits of more than Y100m (£485,000) after rigging their bids for Y670m contract to print security seals for a central government agency.

The arrests by the Tokyo district prosecutor's office follow an investigation into the way the five companies fixed their bids for the contract to supply the social insurance agency.

The case is likely to fuel foreign criticism that Japan's system of public sector procurement is prone to collusion among suppliers.

The high profile arrests, made during raids on the companies' premises, are a signal of the significance which the authorities attach to the case.

The executives arrested include two officials from Dai Nippon Printing, Japan's largest printing group and a manager from each of Toppan Moore, Kobayashi Kirokushi, Hitachi Information Systems, a software house and BF, a Hitachi affiliate.

The companies are alleged to have met three days before lodging apparently competing bids for a contract to print a specially designed security seal which the social insurance agency introduced for documents sent to pensioners.

The executives are accused of agreeing that Toppan Moore should be allowed to win the competitive bidding with a bid of Y670m. Toppan Moore then paid each of the other companies between Y30m and Y60m from its inflated profits on the contract.

It is thought that Toppan Moore added about Y2 to the price for printing each of the special labels which cost about Y10 to print, inflating its profits by more than Y120m.

The social insurance agency introduced the seals in 1989. It buys about 175m a year through six-monthly competitive bids among a small number of specialist printers.

Philippine police guard Filipino-Chinese students as classes were dismissed yesterday in Chiang Kai Shek college in Manila in a move to combat the recent wave of kidnappings, writes our Foreign Staff. Most of the victims have been Manila-based businessmen of Chinese descent, along with a number of Americans and Japanese, and other expatriates in Mindanao in the southern Philippines. Worried Chinese-Filipino traders are talking of defensive measures, including plans to set up vigilante groups manned by foreign mercenaries, and some families are reportedly packing up and taking their assets elsewhere.

Philippines to start IMF talks next month

THE Philippines expects to start negotiations with the International Monetary Fund (IMF) next month on a medium-term financing programme to support the new government's economic development plan, writes Jose Galang in Manila.

Mr Ramon del Rosario, the finance secretary, said yesterday the proposed three-year financing plan would replace the current 18-month standby arrangement that expires next March.

Without disclosing the amount to be sought, Mr del Rosario said the new programme would be "growth oriented", as opposed to the austerity and stabilisation themes of the series of short-term standby arrangements that Manila had concluded with the IMF since the local financial crisis in 1983.

The IMF's extended fund facility (EFF) will be tapped for the new programme. According to other monetary officials, the Philippines may seek up to $1bn (£587m) for its "growth-oriented" economic scheme.

Funds releases for the final stage of the present standby facility were approved late last week by the IMF executive board in Washington, after a favourable report on Philippine economic performance.

S Koreans quit ruling party

By John Burton in Seoul

ELEVEN senior officials of the Democratic Liberal party (DLP) quit yesterday in the latest indication that South Korea's ruling party could disintegrate just two months before the country's presidential election.

The defections are part of a growing revolt within the DLP against the party's presidential nominee, Mr Kim Young-sam, a former opposition leader who joined the DLP in 1990.

The exodus of other party members, including MPs, is expected this week after the resignation last weekend of Mr Park Tae-joon, party co-chairman and leader of the majority faction.

The dissident DLP members are likely to form a new political party to challenge Mr Kim Young-sam, who is the current leading candidate, and Mr Kim Dae-jung, leader of the main opposition Democratic party.

Dissatisfaction against Mr Kim Young-sam is strong within the DLP majority faction loyal to President Roh Tae-woo.

They resent the growing power of Mr Kim, who commands only a minority of the party's members.

But some Roh faction members are disturbed that a DLP split could deliver the election to Mr Kim Dae-jung, and they are urging party unity.

The new party being discussed by the former DLP members may nominate Mr Park as their presidential candidate or Mr Kang Young-hun, a former military general who served under President Roh as prime minister.

Taiwan growth rate set to fall

TAIWAN'S economic growth could drop to 6.3 per cent this year, below the government's projection of 7 per cent, because of the world recession and delays in major public projects, the Council for Economic Planning and Development said yesterday, AP reports from Taipei. Taiwan's economy grew 7.24 per cent last year and 5.29 per cent in 1990.

Taiwan's total trade in the first nine months of this year totalled $113.77bn (£66.7bn). Its trade surplus was $7.43bn.

Oilseeds still block agreement on Gatt

By David Dodwell, World Trade Editor

GATT

The principal stumbling block to a settlement of the Uruguay Round of talks on world trade liberalisation is a still-yawning gap between the US and the EC on Europe's oilseed subsidy regime, according to a leading US farm lobbyist.

Mr Dean Kleckner, president of the American Farm Bureau, said, at the end of two days in Brussels lobbying US-EC trade and agriculture negotiators as they fought to settle a 20-month dispute over the EC's subsidised farm trade regime, that he was not optimistic that differences on oilseeds could be settled.

His mood yesterday contrasted with that of the negotiators, who despite the apparently inconclusive end to negotiations on Monday night, appear confident agreement can be reached.

This confidence has been underpinned by significant progress in settling two issues at times felt to be intractable: US demands that the EC cut the volume and the value of its subsidised farm exports, and EC demands that compensation payments to European farmers for price cuts under the Common Agriculture Policy reform should not be seen as subsidies, and so exempt from any agreement on subsidy cuts.

"You don't have anything until you have everything," Mr Kleckner warned, pointing to considerable differences between the US and the EC on oilseed production. US negotiators are demanding the EC cuts its output from the current 13m tonnes a year to 7m tonnes in six years.

EC negotiators are currently refusing to cut below 9.5m tonnes.

He warned that failure to reach agreement in the next 10 days would "make it a dead certainty" the US will carry out threats to impose punitive tariffs amounting to $1bn (£587m) on EC farm exports in retaliation for alleged damage done to US farmers by the EC oilseeds regime.

'It would create a firestorm of protest among US farmers if the administration were to settle for anything less'

"There's a little more time, but we are counting in days," he said. "If we failed to reach an agreement, that would be dreadful for the Uruguay Round, and for economies throughout the world."

He insisted negotiators could be even further apart on the oilseeds dispute than the public realised, largely because the EC's target of 9.5m tonnes annual output will be based not on firm policy objectives, but on an assumption that the CAP reforms, intended to reduce the acreage sown with oilseeds, will automatically achieve the targeted reduction.

"It would create a firestorm of protest among US farmers if the administration were to settle for anything less than a cut to 7m tonnes," Mr Kleckner said. "The gap may not seem great, but we just can't believe the EC figures are accurate."

EC officials did not share Mr Kleckner's pessimism yesterday, as they weighed the significance of the breakthroughs achieved on farmer compensation and volume cuts for farm exports.

It is understood that US negotiators, in accommodating EC demands on compensation, have agreed to nothing less than a re-drafting of relevant parts of the draft Uruguay Round agreement published in late December last year.

It will allow direct payments to farmers under production-limiting criteria to be exempt from year-by-year reduction in subsidies.

In settling differences on the US demand for the EC to cut the volume of its subsidised farm exports, three formulae have apparently been tabled:

- the EC is willing to agree a 24 per cent cut in all farm products by the end of six years, provided annual progress to that eventual target allows for 10 per cent "swings", with certain products moving towards 24 per cent faster than others.
- the US accepts this proposal, but insists on the annual "swings" being limited to 4 per cent.
- a standby proposal for volume cuts to be limited to 21 per cent at the end of six years. This appears the least likely to be agreed upon.

GATT POLICY REVIEW

Japan plays grudging game on trade

By Frances Williams in Geneva

JAPAN'S professed faith in the multilateral trading system is undermined by its readiness to accept bilateral "managed trade" solutions to appease trading partners, the General Agreement on Tariffs and Trade (Gatt) says in a report published yesterday.

The country's grudging approach to trade liberalisation, undertaken largely in response to pressure from trading partners, and the measures adopted to reduce trade frictions, come in for strong criticism from the Gatt secretariat.

The report calls on Japan, as the world's third biggest trader after the US and the EC, to help promote the health of the multilateral trading system by "more active reliance" on Gatt regulations, making more use of Gatt disputes procedures and lowering trade barriers in protected sectors, notably agriculture.

In its second review of Japan's trade policies and practices, Gatt says that since 1990 Japan has continued to improve foreign access to its market, especially for industrial products, in an effort to help reduce its "persistent and growing" merchandise trade surplus. This topped $100bn last year, as recession dampened import demand.

However, many of the market-opening measures announced last August – designed to boost imports by an extra $5bn over the next 18 months – stemmed from commitments announced before 1990, the report says.

Increased financial and tax incentives aimed at promoting imports "may even help to increase Japan's trade surplus to the extent that access to lower-cost imports contributes to stimulating exports".

Gatt calls on Japan to implement a resource-efficient strategy that expands foreign competition through removing existing impediments to imports. Greater trade liberalisation, it says, "should be pursued by Japan for its own benefit, including long-run economic competitiveness, rather than seen as a fix for bilateral imbalances".

Nowhere is this more true than in the farming sector, one of the most heavily subsidised in the industrialised world. Though Japan remains overall the world's largest food importer, it continues to pursue a policy of self-sufficiency in rice, including an import ban it has been battling to preserve in talks on farm trade reform within the Uruguay Round of global trade negotiations.

Assistance to farmers imposes an implicit tax on food consumption of around 11 per cent and costs the Japanese economy more than 1 per cent of gross national product, according to OECD estimates.

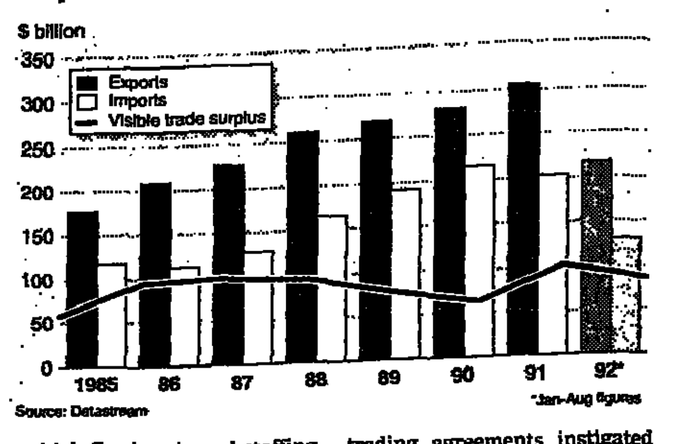
Domestic food prices are, on average, double world levels, ranging up to four to five times world prices for rice and milk products, and well over three times for sugar.

A "hard core of protection" also exists in certain industrial sectors such as leather and leather footwear, textiles and clothing. Gatt argues that liberalisation in these areas would promote structural adjustment at home and benefit developing country exporters. In general, however, industrial tariffs are low at 5.2 per cent on average and most import restrictions have long since been scrapped.

Gatt also believes the protectionist effect of informal barriers – government procurement practices, technical standards, anti-monopoly legislation, the distribution system, *keiretsu* (industrial groupings) and other business practices – "may be less important than often claimed".

Despite the emphasis put on these barriers by the US in particular, a recent survey by the American Chamber of Commerce in Japan ranked them well behind other factors such as high fixed costs and staffing problems, the report notes.

Japanese trade



Source: Datastream

Though exports remain highly concentrated, with motor vehicles, machinery, office equipment and telecommunications apparatus accounting for half total export value, import patterns have been changing rapidly.

Manufactures accounted for more than half Japan's total imports last year, compared with less than a third in 1985.

The regional pattern of trade has also changed. South-east Asia overtook the US last year as Japan's biggest overseas market, partly because of trade with Japanese subsidiaries in the region, taking 31 per cent of Japanese exports compared with 29 per cent for the US and 19 per cent for the EC.

However, Tokyo remains wary of entering into any regional trading arrangements that might provoke a retreat into rival trading blocs by the US and EC and undermine the multilateral trading system.

Japan's stated support for the Gatt system contrasts with its readiness to enter bilateral trading agreements instigated by its main trading partners, the report argues. It concedes that most such deals – such as the 1991 semiconductor accord with the US – carefully avoid discrimination.

But, it says, the agreement on car parts earlier this year between Tokyo and Washington appears to endorse specific objectives for purchases of US parts by Japanese car manufacturers. Other US/Japan deals have also been attacked as discriminatory by third governments. Similarly, Japan has shown continued willingness to manage sensitive exports through "voluntary" export restraints and export monitoring arrangements on products where it is highly competitive.

Japan thus "gives the impression of a country which, while seeking to reduce frictions with all trading partners, favours growth of grey-area measures and managed trade in certain sensitive areas". This, Gatt warns, contributes to erosion of confidence in the multilateral trading system and of the system itself.

TOKYO IN STRONG DEFENCE

JAPAN put up a vigorous defence of its trading policies to Gatt's governing council which yesterday concluded discussion of the critical secretariat report, writes Frances Williams.

Mr Kazuo Asakai, a senior trade official in Geneva, said Japan was committed to free, non-discriminatory trade in accordance with Gatt principles. The main reason Japan undertook voluntary export restraints was that importing countries were not acting in conformity with Gatt rules. These measures were taken as emergency or unavoidable expedients and to the minimal extent, he said.

Mr Asakai also queried Gatt's analysis of its import incentives, which he said were analogous to tariff cuts, not export subsidies. He defended Japan's stance on farm trade in the Uruguay Round which he said should take non-trade aspects such as food security into account.

NEWS IN BRIEF

United Airlines in row with Japanese

A NEW aviation trade dispute, between the US and Japan, loomed yesterday when United Airlines, the Chicago-based carrier, said it might have to postpone the start-up of a new service between New York, Tokyo and Sydney, writes Nikki Tait in New York.

The service had been scheduled to start on October 25. However, United said yesterday that, when it made its normal winter schedule filing, the Japanese authorities refused to accept that portion of the schedule which covered the new flight. Instead they requested that a separate filing be made to cover the new service – a demand which United refused, fearing that this would impede the operation.

The US airline insisted yesterday that there was "no legal basis for Japan to refuse the schedule filing", and maintained that the new service was authorised under the US-Japan Air Services Agreement, the bilateral aviation accord between the two countries. It said the issue had been raised with the US Department of Transportation and with the State Department and that United had asked them "to ensure that Japan honour its international obligations".

The US is already battling to win greater access for its airlines to European markets.

Chinese regional carrier moves to modernise fleet

China Eastern Airlines, the Shanghai-based carrier, yesterday said it was ordering five Airbus A340 four-engine widebody airliners worth about $555m (£311.7m), writes Paul Betts.

The order reflects the growing boom in civil aviation in China, which is currently seeking to modernise and expand its domestic airline industry.

The Airbus order was announced in Hong Kong by Wang Lian, president of the fast-growing Chinese regional carrier.

China Eastern is one of the country's six largest regional carriers which are expected to become increasingly autonomous from the Civil Aviation Administration of China (CAAC) by the end of this year.

Wang said the regional carrier was considering eventually floating its shares on China's stock market as well as recruiting foreign expertise into its new management.

One problem facing China's regional carriers is a shortage of qualified ground and air crew at a time of expanding business with the introduction of western jets into domestic airline fleets.

"Financing is not a big problem; the difficulty is that we do not have sufficient crew to fly the new planes," Wang said.

China Eastern already operates a large fleet of western aircraft including Airbus A300s and A310s, McDonnell Douglas MD82s and MD11s, British Aerospace 146s, Shorts 360s and De Havilland Dash-8s. It also has on order additional A300s and Fokker 100 jets.

The Chinese carrier said it was planning to become a "diversified and multi-purpose air group mainly based on air transport".

The airline is also seeking to establish a joint venture to invest in tourism, entertainment and other consumer businesses.

US denies tank deal pressure

The US Defence Department yesterday welcomed Kuwait's decision to buy Abrams M-1A2 tanks manufactured by General Dynamics instead of British Challengers made by Vickers of the UK and denied the deal was prompted by political pressure from Washington, Reuter reports from Washington.

"The government of Kuwait conducted an intense competition between the tanks it was considering buying, and the Abrams tank was the clear winner," Pentagon spokesman Pete Williams said.

The New York Times reported that President George Bush, Defence Secretary Dick Cheney and acting Secretary of State Lawrence Eagleburger had written to senior Kuwaiti officials pushing for the Abrams sale. Mr Williams said that Mr Cheney's letter merely pointed out the technical superiority of the US tank.

Kyrgyzstan in dam talks with GE

The government of Kyrgyzstan is in preliminary talks with General Electric of the US to build a hydroelectric dam on the Naryn River, in the south of the country near its border with China, writes John Lloyd in Moscow.

Mr Sulunduk Kazakov, deputy economy minister, said a preliminary "agreement" had been reached with GE on a complex of dams at Kambarata, costing $100m (£56.1m).

But GE's Moscow office said last night the talks were at an early stage, with further meetings set for later this year at the group's hydroelectric headquarters in Canada.

The republic, which exports electricity to China, produces 13bn KW/hours of electricity a year, and could produce 140bn.

Turkey's patent law now ready

By John Murray Brown in Ankara

MR Kaan Dericioglu, an Ankara lawyer, has spent 10 years helping prepare a patent law for Turkey. The current draft, the eighth since 1951, is now with the cabinet awaiting ministerial approval before going to parliament.

The patent law, a bone of contention with the US and the EC, is seen as a test case of Turkey's commitment to liberalise its economy. Mr Tahir Kose, Turkey's trade and industry minister, this week predicted a new patent law would be passed before the year ends.

The new draft is welcomed as a "vast improvement" by western diplomats, but problems remain. Originally, it included full protection for pharmaceuticals, but the State Planning Organisation has moved to dilute the draft. The law is only to apply to drugs after a 10-year transition period. Turkey is also to introduce compulsory licensing, requiring a foreign company to license a drug with a local producer.

The law provides no protection during this "pipeline" period, when new molecules are registered, and the drugs go through clinical trials before health ministry approval. "Taken with the transition period, this means that for the next 22 years no new molecule will be protected in Turkey," one foreign executive said.

One lawyer believes that even if the draft gets through cabinet in its present form, it may meet opposition in parliament, where nationalist sentiment on issues such as patents remains strong. Mr Dericioglu suggests it might be advisable to exclude pharmaceuticals, at least to have some form of patent protection on the statute books.

For many, the commercial priorities of the foreign multinational drug companies seem increasingly at odds with the health needs of Turkey's poor. But the battle lines are now drawn between the foreign pharmaceutical concerns, and the health ministry and its supporters among big local producers.

The health ministry, backed by local drug concerns, argues patent law would let foreign companies raise prices. Foreign groups estimate the cost to Turkey of a new patent law at just $25m, the difference in unit price between the patented product and the copy. Those opposing the law fear losing market share to foreign competition. Industry officials are concerned any backsliding on the patent law will deepen a crisis in the sector.

FT writers look at the impact of British Coal's decision to close thirty-one pits with the loss of 30,000 jobs

Heseltine tells manufacturers to curb costs

By David Owen

MR MICHAEL Heseltine, trade and industry secretary, yesterday put the task of improving UK manufacturers' competitiveness at the heart of his industrial strategy. His comments were part of the government's response to criticism of yesterday's pit closures announcement.

He defined the prime goal of the strategy as enabling British industry to "compete in an increasingly competitive world". He added: "That means we have to search for the opportunities for lower costs and for more effective products."

His remarks followed criticism by Mr Howard Davies, director-general of the Confederation of British industry, who said business was frustrated at the lack of a thought-out industrial strategy.

Pointing to the current level of subsidies for British Coal of £100m per month, Mr Heseltine criticised those calling for legislation to prevent the closures. He argued that such a move would "make our manufacturing base less competitive".

"If you are arguing that I should subsidise the coal industry, then you have to argue that that is the best use of national resources," he said. "If you are trying to make British industry competitive, which is the only way out of this recession, then helping them to contain their costs – possibly even to reduce their costs – is a significant part of that process."

Describing the industrial and economic case for rationalisation as "unanswerable", he said that savings to electricity consumers of £300m – applied uniformly – implied "householders' electricity bills up to around 3 per cent lower than would otherwise have been the case". Governments had always tailored domestic coal production to the scale of demand, he argued.

Mr Heseltine made little attempt to disguise that the announcement comes at a particularly difficult time for the government. The 30,000 job losses will swell the growing ranks of the unemployed, while the £1bn cost of the proposed redundancy package comes with the public sector borrowing requirement threatening to spiral upwards.

The timing may also make for a vituperative passage of the paving bill for coal and rail privatisation through its committee stage in the House of Lords. Ministers had confessed to not relishing the prospect even before yesterday's news.

Mr Heseltine said yesterday that he had hoped to inform MPs of the closures in a parliamentary statement next week, but had changed his plans in the light of widespread "leaks and speculation".

Mr Robin Cook, shadow trade and industry secretary, called on Mr Heseltine to intervene to halt the closures. It was "a bad energy strategy and a worse economic policy," he said.

Mr Alan Beith, a Liberal Democrat Treasury spokesman, described the closures as "a fatal body blow" that would increase Britain's trade deficit.

NCB chief blames 'mad' dash for gas

By David Lascelles, Resources Editor

MR NEIL CLARKE, British Coal's chairman, blamed the "economic madness" of Britain's rush to switch from coal to gas for electricity generation for yesterday's sweeping programme of pit closures.

The "dash for gas", he warned, would push up electricity prices and result in a huge excess of generating capacity. Plans for gas-fired power stations already announced would squeeze 30m tonnes of coal a year out of the market.

"A sizeable portion of the electricity generation market has been shut off for coal," he said. He stressed that the new gas stations would produce electricity more expensively than the coal stations they were driving out of business.

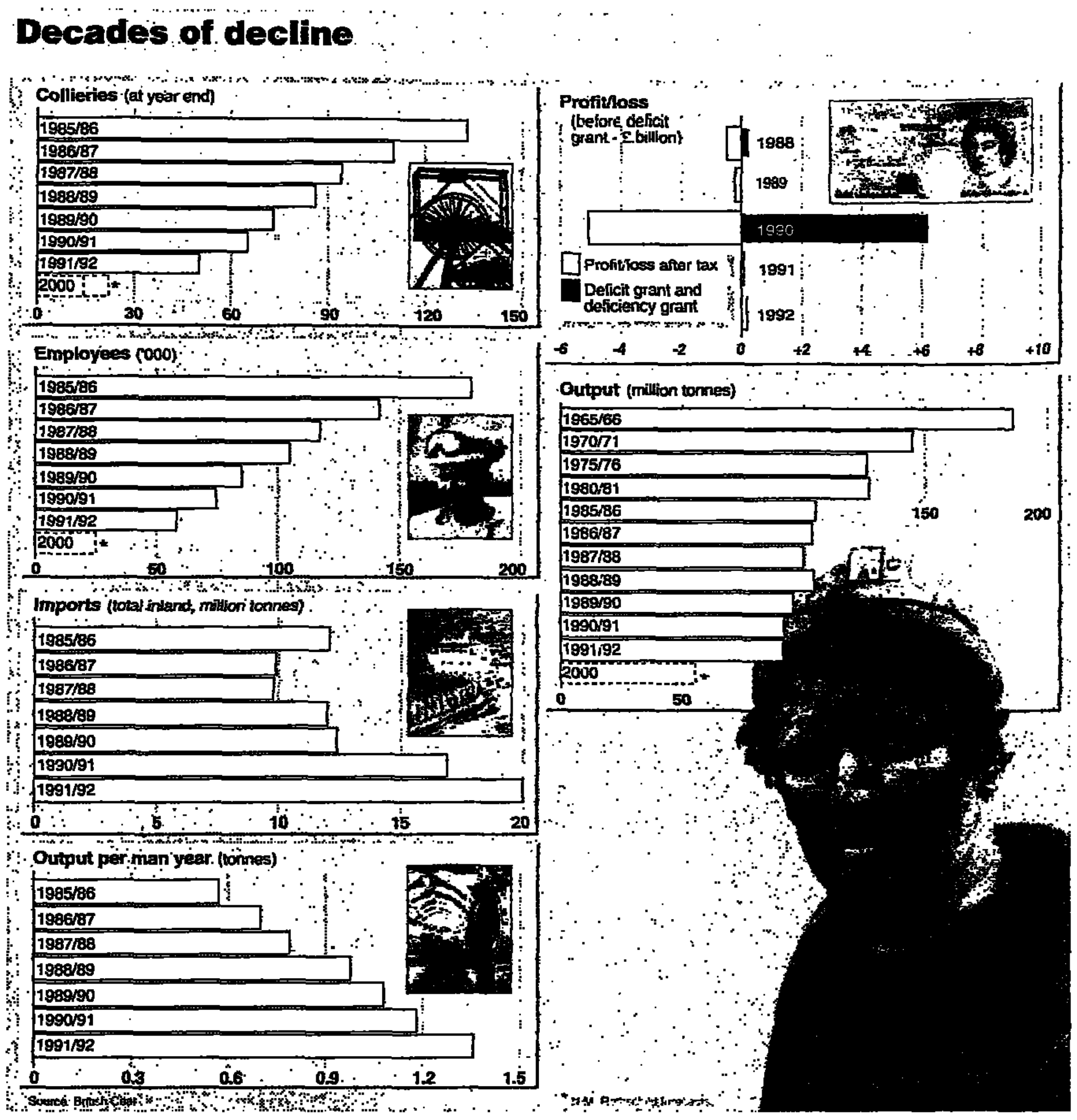
The dash for gas was prompted by the discovery of huge natural gas supplies under the North Sea. The first of a new generation of gas-fired power stations was opened earlier this month. By some estimates, gas might account for 20 per cent of the market by the middle of the decade.

The attraction of gas is that power stations are quick and cheap to build. Gas is easy to transport, and is environmentally friendly.

Many of the stations are being built by electricity distribution companies keen to escape the duopoly run by National Power and PowerGen in England and Wales. Because they are allowed to pass through all generation costs to the consumer, they have been criticised for failing to ensure the cost of the gas is economic.

A group of coal community interests and electricity consumers has challenged Prof Stephen Littlechild, the electricity regulator, to investigate gas contracts and rule them uneconomic. He has declined to take specific action and is to be challenged in court.

Mr Michael Heseltine, trade and industry secretary, said yesterday: "The investment in gas is taking place as a result of decisions by people to invest money in economically viable enterprises."



THE INDUSTRY'S heyday was in the mid 1950s, when output ran at 225m tonnes a year. Since then, it has been in steady decline, under pressure from high costs, restrictive practices and the growth of alternatives such as gas. In the past five years, British Coal's mission to transform itself into a commercial business has accelerated the shutdown of lossmaking pits. N.M. Rothschild, merchant bank advisers to the government, estimates that a commercial business would have a maximum capacity of 50m-55m tonnes a year by 2000.

That has meant sharp cuts in pits and jobs, and a rise in imports from virtually nothing in the early 1970s to 20m tonnes a year now.

But output per man has more than doubled since the strike of the mid 1980s, and the business has begun to make a profit.

Unions consider their options

By David Goodhart, Labour Editor

THE MINING unions can do little to stop the latest round of closures and mass redundancies.

Even though the shock and anger was widespread yesterday, it will not be enough to bury the enmity between the Yorkshire-based National Union of Mineworkers and the Nottinghamshire-based Union of Democratic Mineworkers.

It is the UDM, which worked through the 1984-85 strike, and which received public backing from Conservative ministers for its employee buy-out proposals, that has the most reason to feel let down by the closures.

Some UDM officials such as Mr Neil Greatrex, president of the union's Nottinghamshire area, are calling – like the NUM – for industrial action. But the UDM's main approach is to try to challenge the government in the courts, either through European Community competition law or through contesting the abandonment of the colliery review procedure.

That procedure was strengthened in the 1984-85 strike to persuade Nacods, the supervisors' union, not to join the strike. Mr Peter McNestry, Nacods general secretary, said yesterday that he was considering legal action to reinstate the procedure and at least slow down the closures.

The NUM, which still represents about two thirds of miners, will tomorrow almost certainly back industrial action.

British Coal has warned that "disruptive industrial action would result in the withdrawal of all ex-gratia redundancy payments", and even senior NUM officials concede that they may not win a ballot on industrial action. With at least 12 months of coal stocks at power stations, the amount of leverage a strike could apply is minimal.

Some argue that industrial action would at least disrupt the privatisation process of what is left, but for that very reason the miners in pits that will survive are unlikely to back a strike call.

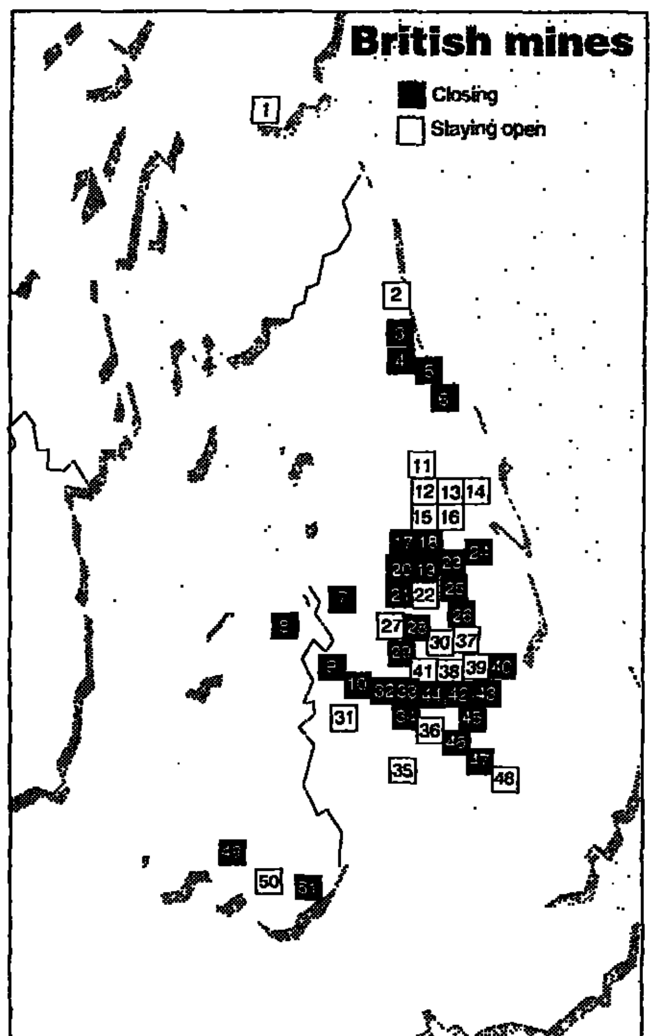
Mr Ken Capstick, vice-chairman of the Yorkshire area NUM, says that this is the "Alamo" for the industry, and argues that action would at least "raise the temperature" and draw attention to the unions' case for keeping a competitive coal industry.

But a strike may not seem attractive to many young miners. The average age is now 32 and so few will be getting the maximum redundancy pay-off of £37,000. Equally, few will want to jeopardise the few thousand pounds that is coming their way.

Also, Mr Arthur Scargill, the NUM leader, might negate some of the public sympathy for the miners if they took industrial action. Mr Ian Watts, president of the Yorkshire area of the NUM's white-collar section, disagrees.

"Arthur can be very inspiring. At the Labour conference he was one of the few people that filled the hall and got a thunderous reception, despite being so unpopular with the leadership," he says.

Mr Scargill does not come up for re-election until next year, so, come what may, he will be defending the NUM's Alamo.



*Being retained on care & maintenance only

Scotland
1 Longannet

North east region
2 Ellington/Lynemouth
3 Westoe
4 Wearmouth*
5 Vane Tempest
6 Easington

North west region
7 Parkside
8 Point of Ayr
9 Silverdale
10 Trentham

North Yorkshire region (Selby group)
11 Stillingfleet
12 Wistow
13 Whitemoor
14 Riccall
15 North Selby

16 Kellingley
17 Sharlston
18 Prince of Wales*
19 Frickley
20 Grimethorpe
21 Houghton Main
22 Goldthorpe

South Yorkshire group
23 Bentley
24 Hatfield/Thorne*
25 Markham Main
26 Rossington
27 Silverwood
28 Maltby*
29 Kiveton
30 Manton

Central region
31 Littleton
32 Bolsover
33 Markham
34 Shirebrook

35 Daw Mill

Nottinghamshire region
36 Annesley/Bentinck
37 Harworth
38 Thoresby
39 Ollerton
40 Bevercotes
41 Welbeck
42 Clipstone
43 Bilsthorpe
44 Silverhill
45 Rufford
46 Calverton
47 Cotgrave
48 Asfordby

South Wales region
49 Betws Drift
50 Tower
51 Taff Merthyr

Mansfield's misery fills a pint pot

Richard Donkin feels the body blow to a town where job prospects are already bleak

MR KELVIN BREED, a 39-year-old face-worker at Clipstone Colliery, was leaning against the bar of the Dukeries Social Club, a pint of beer in one hand, when a friend broke the news that the pit was to close. His face betrayed no emotion.

"Where can I find a job? I was in the army before going down the pit 20 years ago. What sort of work is there for someone who knows how to kill and work down a mine?" he said.

Clipstone is one of four pits in the Mansfield area that are to be axed, with the loss of about 4,600 jobs. Staff at Mansfield's Civic Hall were preparing to change the notice board that gives the town's unemployment figures. Yesterday the total stood at just over 8,000. Within days the unemployment rate for the town will top 20 per cent.

On some estates more than a third of householders will be out of work.

Mansfield is famous for two things – beer and coal. In the past two weeks, Mansfield Bitter has become less the local brew and more a frame of mind in this community of 55,000 people. For those without jobs, prospects are bleak.

Just outside Mansfield centre at Forest Town, a few coal heaps behind coils of barbed wire mark the remains of the old Mansfield colliery which closed about three years ago.

But as the pits are consigned to history, Toray, the Japanese fabrics manufacturer, is shaping the future. Its factory will employ 400 workers when it comes fully on stream in the summer of 1994. About 70 vacancies have been filled to date from 3,000 inquiries.

Many of those recruited for the first phase of operations next spring are former miners whose ability to work as a team has impressed the Japanese managers.

The £50m Toray factory is the only significant inward investment in the area. "The factory is very welcome but we would need 25 Torays next week," said Mr Jim Hawkins, the leader of Mansfield District Council. "That's the size of the problem."

The most worrying aspect of the closures is the lack of alternatives to mining and the knock-on effect for other businesses. The town grew up around mining at the turn of the century. Mansfield's coal had few impurities and made ideal steam coal, prized by the steel industry and the railways. But the local communities have seen more than 20,000 mining and related jobs disappear in the East Midlands coal field since 1985.

The decline has been matched by the decline in textiles, Mansfield's other large employer base. Iron foundries have also suffered. Once there were six in the areas. The foundry of James Maude and Co is the only survivor and workers have been on short time. The brewery has also had cuts.

THE most severe effect of the closures outside British Coal is expected to be among the hundreds of related businesses that supply the industry. Mr Mel Brown, a former miner who runs a mine equipment refurbishing business employing seven people, said: "We are almost 99 per cent dependent on the local pits. A lot of small businesses like ours will be directly affected. All we can do is hope we can see it through.

Mr Ian Linney, chairman of Mansfield Newspapers, which publishes the weekly Mansfield Chad, estimated that the closures would lead to the loss of as many as 100,000 jobs in the region and cost more than £1bn to the government in lost taxes and extra unemployment benefit.

"I don't think there is a hope in hell of filling this gap for 15 years," he said. "As I see it the government has looked at only one side of the balance sheet. I just cannot see the economic sense of this. If these were inefficient pits unable to compete in the market I would probably agree with these measures, but these pits are producing a 27.5 per cent return on capital."

The bewilderment is reflected throughout the community. Mr Philip Asquith, Mansfield's Economic Development Officer, said: "What this means is that we will undergo all this misery and suffering for more expensive electricity at the end of the day."

The council welcomed yesterday's announcement that Mansfield would be given assisted-area status for which it has lobbied hard. Mr Richard Goad, the chief executive, said: "It is something we desperately needed but in the present climate we need a lot more and quickly."

There have been some success stories from previous redundancies. Mr Tom Wright used some of his redundancy and a bank loan to set up a sealant business with his nephew when he left the Clipstone pit a year ago. He is among a number of former miners who have been helped to start new businesses by Mansfield Sutton and Kirkby Training and Enterprise Council.

"It's been hard going but we have full order books and I have no regrets. I could have sat at home and rotted away, but it wasn't for me."

For every success story, though, there are countless failures. Some former miners are resigned to a life on the dole. Mr Breed said he would look for work. "But if I can't find it," he said, "the government will have to keep me. It put me here."

Communities face uphill task in spite of £1bn aid

By Catherine Milton, Labour Staff

A £1BN package of aid for coalfield areas affected by pit closures was outlined yesterday by the government. But experience of earlier closures suggests that the measures are unlikely to prevent a big rise in local joblessness.

The money will cover redundancy payments of up to £37,000, depending on length of service and weekly earnings, as well as measures aimed at regenerating local economies.

The 30,000 redundancies announced yesterday bring to about 170,000 the number of miners who have lost their jobs since the end of the miners' strike in March 1985.

The link between pit closures and local unemployment is not straightforward in areas that are depressed, but unemployment levels in "travel to work" areas affected by pit closures are on average about 3 percentage points higher than the national figure of 9.9 per cent.

The picture is worse in the mining communities, with parts of Barnsley, for example, suffering unemployment levels of 20 per cent.

Recent government projections indicated that unemployment in travel to work areas might rise by an average of almost 2 percentage points as a result of the 29 pit closures then envisaged.

Since 1987, the main body charged with finding jobs for miners has been British Coal Enterprise. BCE says it has resettled 80 per cent of the 20,000 former miners' who have approached it – about a third of those made redundant since it started work.

Many miners return immediately to the industry, employed by private contractors on short-term contracts. Many others move into driving, security and warehousing jobs, where BCE concedes they earn less than they did at the pit. A 1988 study of Yorkshire miners found that 10 per cent of former miners who had found work were earning between £70 and £100 a week less than they had with British Coal.

Mr Steve Clemerson, BCE's outplacement manager, said: "We would like everyone to come to us, but there are those who find work for themselves, take early retirement or simply want nothing more to do with British Coal or its subsidiaries."

The Coalfields Communities Campaign, an alliance of local authorities, argues that BCE-aided workers often displace other local labour, so that the overall level of unemployment in an area is unaffected. The campaign says coalfield areas need a package like the one Corby's steelworkers got when they lost their jobs in 1980.

For the next three years coalfield areas will benefit from £135m under the Rechar programme, an EC initiative to regenerate the coalfield areas.

Shake-up comes as little surprise

By Paul Abrahams

BRITISH COAL'S restructuring came as no surprise yesterday to most of the groups that have expressed an interest in acquiring the state-owned company.

Most pointed out that the shape of the industry proposed was little different from that in a leaked report prepared by N.M. Rothschild, the merchant banker that is advising the government on the privatisation.

East Midlands Electricity said: "What is now required is an explanation of the government's intentions for the privatisation of the industry."

The company is part of a consortium that includes the Union of Democratic Mineworkers; Sir David White, the deputy chairman of NFC; and Mr George Guise, a former director of Consolidated Gold Fields. It is advised by Kleinwort Benson, the merchant banker.

RTZ, the world's biggest mining group, said it was a sad day for the mining communities, but potential purchasers now had a clearer idea of the future shape of the industry.

Other groups that have expressed interest in acquiring some or all of British Coal also include Hanson, Anglo-United, the chemicals company that owns Coalite smokeless fuel, and the private coal companies the Young Group, the Ryan Group and Budge Mining.

The consortium involving East Midlands Electricity said it was negotiating with both UK and foreign mining groups to find two and possibly three additional partners.

It is proposing that British Coal should be split into two groups. The southern one would include all fields up to and including South Yorkshire. The northern group would comprise the remaining pits.

East Midlands Electricity said if a split proved impossible it was interested in the entire company.

What they said

"Putting together the redundancy package was the toughest decision I have ever had to take. I hope the miners will appreciate all of the money being made available."
Michael Heseltine, trade and industry secretary

"The closure of so many of our mines and the loss of so many jobs will be grievous."
Neil Clarke, British Coal chairman

"The most savage, brutal act of vandalism in modern times; miners have a choice – either to lie down and let this happen or stand up and fight back."
Arthur Scargill, president of the National Union of Mineworkers

"This government would close down the Brigade of Guards if they thought it would make them money."
Frank Dobson, shadow employment secretary

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Four media companies offer lifeline to ITN

By Raymond Snoddy

A GROUP of four media companies yesterday made an offer for Independent Television News (ITN), the commercial news station, including a £30m commitment to support the organisation.

The move by Carlton Communications, Central Independent Television, London Weekend Television and Reuters, the news and information group, comes at a time of financial uncertainty for ITN.

The news organisation, a wholly owned subsidiary of the ITV companies, is facing a £25m deficit over the next five years on the lease of its headquarters in central London.

An agreement in principle has been reached on a five-year contract, worth an average of £53m a year, to supply news to ITV, the national commercial TV network.

The consortium is offering £1 a share for all of the 400,000 existing £1 shares in ITN that its members do not already own. The £30m commitment will take the form of a subscription for new equity. Half the money will be raised by partly paid shares, with the rest on call when ITN needs it.

A condition of the deal is that the consortium members would each hold at least 20 per cent. The final 20 per cent of the enlarged share capital would be available to the existing shareholders.

Mr Michael Green, chairman of Carlton Communications which takes over the London weekday broadcasting franchise on January 1, said last night: "ITN is very important to the ITV network. There appeared to be a logjam. This is a solution."

The logjam has been caused, the consortium believes, by the conflicting interests of those involved, such as shareholders who have lost their franchises and will no longer be ITN customers and new broadcasters who are not shareholders.

If the offer succeeds Mr Green is expected to become chairman in place of Mr Richard Dunn, the chief executive of Thames Television.

Mr Dunn last night acknowledged receipt of the proposal and said it would be considered at an ITN board meeting on Monday. A meeting of all shareholders will be called.

At least one ITN shareholder suggested large night that an alternative to the offer could be a mixture of new equity finance raised from all the existing shareholders, plus a bank loan.

ITN has been holding talks with three US broadcasting organisations – ABC, CBS and CNN – about the possibility of them taking a stake.

Under the 1990 Broadcasting Act a majority of the ITN shares are supposed to be held by non-ITV companies by the end of 1991.

Casino licence bid opposed

By David Spanier

MR JOHN Aspinall, the casino operator, has objected to the application by London Clubs, the casino group which owns the Ritz Club and Les Ambassadeurs in the capital, for renewal of its gaming licences.

His objection has come as a surprise to London Clubs, which had hoped the hearing of its application by South Westminster Magistrates Court on October 19 would proceed smoothly, following the Gaming Board's recent decision to grant certificates of consent for its six casinos.

Mr Aspinall, whose new casino opens in London on October 20, argued that approval of new licences for London Clubs is such an important decision for British gaming that the issues ought to be aired in open court.

While the industry expects new licences to be granted, the future of London Clubs remains at dependent on the magistrates' hearing.

Review ordered of electricity payments

By Richard Evans

PROFESSOR Stephen Littlechild, the electricity industry regulator, ordered a review yesterday of the way the national grid pays power stations for electricity, claiming that customers are not adequately protected by the present system.

The allegations, published in a report about generating equipment used to boost supplies with electricity charged at premium rates, identifies a number of areas where action might be taken to reduce costs.

They include greater investment in the network to reduce shortages in supplies, the introduction of voluntary demand reduction schemes by industry, and a possible change in the pattern of ownership of generating plant.

Prof Littlechild, director general of the industry regulator, Offer, accepts the recommendation of the Commons select committee on energy that he should consider by 1995 whether the generators should be referred to the Monopolies and Mergers Commission.

"Their prices and profits will be relevant in making this decision and in the timing of it," he writes.

The share price of PowerGen fell 6p to 280p and National Power was down 4p at 269p.

The regulator is unhappy about the way some generating stations, the constrained-on plants, are allowed to charge high rates in return for stabilising supplies. They operate outside the normal power bidding system and can be much more profitable when required.

The report, which follows an Offer report last December on electricity prices, says payments for extra generating plants in 1991-92 were more than £200m, an increase of 70 per cent on the previous year.

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On track for privatisation: Network SouthEast services are among the franchises which have attracted interest from 50 companies

Ever wanted to run a railway?

The government this week launched a consultation exercise to find out what would tempt the private sector to take over British Rail's passenger trains after privatisation. Richard Tomkins reports

EVER wanted to run a railway? Many, apparently, do. According to Mr John MacGregor, the transport secretary, 50 companies have expressed an interest in taking franchises to operate British Rail's passenger services after privatisation.

The big question is whether they will still want to do so once they know what it involves. A 168-page consultation paper published this week is intended not just to tell them what franchising might mean, but to ask them if they think it will work.

The basics of rail privatisation were set out in a policy document last July. A BR subsidiary called Railtrack will continue to own the railway tracks, but the operation of BR's passenger services will be franchised out to private-sector companies. In addition, other companies will be allowed to run trains in competition with those operated by franchisees.

Fleshing out those bones, yesterday's consultation paper says franchising will be undertaken progressively, not in a single "big bang".

The franchise areas, as expected, will broadly resemble BR's 19 existing profit centres – for example, InterCity's West Coast main line, or Network SouthEast's Thames & Chiltern division. Other configurations, or even individual services, may be franchised provided the effect is not to leave BR with a rump of unviable odds and ends.

Franchises will be awarded on the basis of competitive tendering. In the case of the profitable InterCity operations, franchises will go to the highest bidders, while in the case of loss-making Network SouthEast and Regional Railways services, the winners will be those companies which require the lowest subsidies.

After that, franchisees will rent or buy their rolling stock from BR and start making money – or losing it. They will bear the full commercial risk of their operations, paying track charges, rolling stock rentals, wages and other operating costs out of fare revenues and hoping they are left with a profit. As a result, employee concerns about privatisation seem justified. If franchisees are to make money, they will need to cut costs, and the consultation paper says they will be free to change employees' working conditions once the franchise is under way.

"Bids would therefore need to reflect the costs of making these changes, including redundancy costs if staff are planned to be replaced or overall numbers reduced," the paper says.

Passengers are assured that loss-making services will continue to be subsidised; that franchisees will be required to provide a specified minimum level of services; and that operators failing to deliver acceptable servide standards will face penalties up to and including the loss of the franchise.

On fares, as on many other points, the paper is vague. It says that franchisees will be free to set their own fare levels, raising the possibility of stiff increases on some services. But it also says this power will be restricted "where rail enjoys significant market power", suggesting that Network SouthEast fares will stay under political control.

The paper fails to resolve some issues of acute concern to would-be franchisees. One question is whether they will face competition from "cherry pickers" – free-wheeling operators grabbing traffic from the franchisee's most profitable services. Ministers say that, in practice, the opportunities for competition on the rails are likely to be limited by shortages of train paths. Nevertheless, the consultation paper reaffirms the government's commitment to open access. Would-be franchisees are therefore left wondering how they are to frame their bids when they cannot be sure how much competition they will face.

Mr MacGregor's answer to all such questions was that the point of the exercise was to find out the private sector's views before reaching conclusions. Even then, different passenger services had different characteristics, so there could be no universal template.

Auditors face growing threat of legal action

By Andrew Jack in Washington

LEGAL action against auditors is the greatest threat facing the accounting profession, the World Congress of Accountants in Washington heard yesterday.

"Unless we solve the problem of liability there will not be another World Congress," said Mr David Smithers, president of the Australian Institute of Chartered Accountants.

Mr Smithers was discussing the recent A$1.1bn claim against KPMG Peat Marwick as auditors to Tricontinental, the state-owned merchant bank in Victoria, Australia.

That case was overshadowed earlier this month by the £6bn claim against Ernst & Whinney and Price Waterhouse in London for their role as auditors to the collapsed Bank of Credit and Commerce International.

Mr Smithers said nearly half of litigation was driven by poor risk management, and only about 20 per cent was a result of auditors giving a poor quality of service.

Mr Richard Murray, chairman of Minet Global Professional Services, the indemnity insurer, stressed that auditors do not cause financial losses but are finding themselves held responsible for them when a collapse takes place.

He said commercial insurers were at the point of refusing to provide professional indemnity cover for accountants, and that there may be a need for national governments to step in as an alternative.

Mr Smithers pointed to legislation due to be enacted in New South Wales early next year as one possible solution. It will place a cap on the maximum amount for which auditors can be sued.

He said at least two other Australian states were likely to follow once the legislation was passed.

Mr John Behrendt, a partner with lawyers Gibson, Dunn and Crutcher, said that any equivalent attempts at reforms to limit liability elsewhere would require co-operation from the business community.

Inflation in UK producer prices slows sharply

By Emma Tucker, Economics Staff

THE government received encouraging news on inflation yesterday as official figures showed the prices of goods leaving Britain's factories rose at their slowest rate for more than 24 years.

A report from the Central Statistical Office also showed that sterling's devaluation had a limited impact on the prices of raw materials used by UK manufacturers last month.

The prices for manufactured goods in September were unchanged on the previous month. They rose by 3.2 per cent in the year to September compared with 3.4 per cent in the year to August.

Excluding the volatile prices of food, drink and tobacco, the output price index rose by 0.1 per cent last month, bringing the annual rate of increase to 2.6 per cent, compared with 2.7 per cent in the year to August.

The prices of imported raw materials and fuels rose by a seasonally adjusted 0.2 per cent in September, compared with the previous month.

Combined with a stronger performance yesterday by the pound, the better than expected news on producer prices fuelled hopes of a further cut in interest rates.

The pound, also buoyed by earlier comments from Mr Norman Lamont, the chancellor of the exchequer, that he intended to pay particular attention to the exchange rate, closed up a pfennig in London at DM2.52.

But against gloomy news of pit-closures, job losses and rising business failures, the government came under further attacks yesterday for its handling of the economy.

Lord Prior, a former Conservative minister, accused the Treasury of failing industry and warned of "serious social problems" as unemployment continued to rise.

The government was also criticised by Mr Howard Davies, director general of the CBI, who said businesses were increasingly frustrated at the lack of a thought-out industrial strategy. "The government needs to set priorities for growth which will address the underlying weaknesses of the economy," he said.

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Spending cuts expected on UK capital projects

STATE spending on UK capital projects is likely to be cut it emerged yesterday as the cabinet sub-committee on public expenditure finished the second stage of its assessments on spending priorities for 1993-94, Alison Smith writes.

The six-strong committee, chaired by Mr Norman Lamont, the chancellor of the exchequer, will use its discussions today and tomorrow to begin focusing on the impact of those decisions on departmental programmes.

Ministers highlighted last week the need to keep the pressure on public sector pay and hinted at a squeeze on social security benefits. Though they played down the more politically contentious course of cutting back on capital spending, construction projects are still under threat.

In spite of earlier suggestions that the Treasury might be trying to get spending below the £244.5bn planning total for next year, the latest signals are that the intention is to meet that target rather than cut spending below it.

The autumn statement, the chancellor's annual speech to Parliament setting out state spending plans, is now expected in in the week beginning November 9.

Lloyd's rents office space to other insurers

By Richard Lapper

A LARGE number of insurance companies are poised to move their operations in the London market to the Lloyd's of London building, underlining growing links between Lloyd's and the conventional company insurance market.

A number of companies – including Anglo American and American International Group – are already close to signing agreements to rent space on the third floor of Lloyd's. A total of twenty companies have expressed interest in moving to the market's controversial glass and steel headquarters.

The greater physical integration between Lloyd's and the London company market comes at a time when Lloyd's is working on the possible attraction of corporate capital to the market in the wake of last January's Rowland task force report.

Lloyd's council recently introduced regulations allowing syndicates to make more use of outside reinsurers.

Lloyd's is keen to increase rental income following a fall in the number of syndicates at the market.

More than 120 syndicates have either closed or merged in the past 18 months, leaving one of the four underwriting floors vacant and another under-occupied.

Office space at Lloyd's is much more expensive than elsewhere in London, even though the £125 per square foot figure includes all service costs apart from telecommunications, according to Mr Nick Phillips, general manager of property at Lloyd's.

But if companies operate on the same basis as Lloyd's syndicates – running their underwriting operations in an open plan office alongside other insurers – they are likely to occupy less space than in typical office accommodation.

Mr Phillips said that companies moving into Lloyd's would be expected to occupy about 1,640 sq feet, of the building's third floor, leaving them with rental costs of £35,000 per year.

Kept on truckin': Marshall of Cambridge will save the Bedford marque after buying AWD

Buyer found for AWD

By John Griffiths

AWD, the former Bedford trucks business which went into receivership in June, has been sold for an undisclosed sum to a subsidiary of Marshall of Cambridge, the privately-owned UK aerospace and defence contractor.

The purchase will almost certainly mark the end of truck-making at the Dunstable plant near Bedford, north of London. But it also means that the long Bedford tradition as a manufacturer of both military and civilian trucks is likely to be preserved.

Originally established as Marshall of Cambridge (Engineering) to make vehicle bodies to exploit the international market for specialist military vehicles such as field ambulances, it changed its name to Marshall SPV earlier this year. It has been seeking to extend its activities in the civilian vehicles field.

Under its purchase agreement with Mr Tony Thompson and Mr Roger Oldfield of KPMG Peat Marwick, the joint receivers, Marshall is buying AWD's product designs, global spare parts business, order book and the rights to the AWD and Bedford names.

It is taking a short lease on the 45-acre Dunstable plant, where the receivers have been employing 150 former AWD workers to build around five trucks a week.

AWD had stopped making trucks for several months before the receivers moved in.

"However, we wanted to sell AWD as a going concern, got some orders ourselves – mostly from the military and overseas – and were able to restart production," Mr Thompson said yesterday.

While Marshall would not set out its precise plans for AWD, it is understood to believe that the military trucks business, in particular, has a high degree of synergy with Marshall's existing defence support activities throughout the world.

AWD, then named Bedford Trucks, was bought from General Motors in 1987 for about £20m by Mr David Brown, a Yorkshire entrepreneur.

Under GM's ownership, Bedford had been losing £½m a week in a plant that had the capacity to produce 60,000 trucks a year and which, up to the start of the 1980s, had employed 6,000 people.

At its peak under Mr Brown's ownership AWD was employing more than 1,300.

As recently as last November, AWD announced a £70m deal to supply 2,000 trucks to Iran which had been expected to secure its future. However, AWD made only 22 trucks in the first three months of this year, compared with 546 in the same period last year. By June 500 of the remaining 650-strong workforce at AWD had been made redundant.

Britain in brief

Major urged to arbitrate on Tube line

The administrators of Canary Wharf have written wrote to the prime minister, Mr John Major, urging him to clarify the government's policy on the building of the Jubilee Line extension and the relocation of civil servants to the financially troubled east London property development.

The administrators, three partners of Ernst & Young, the accountants, reiterated to Mr Major that Canary Wharf's banks are keen to make a private sector contribution to the £1.6bn costs of the Jubilee extension.

They want Mr Major to arbitrate in a dispute between different government departments about whether civil servants should move to Canary Wharf and whether the line should be built.

Abbey National cuts rates

Abbey National, the UK bank, has announced a cut in its mortgage interest rate which will postpone until December the benefit of the recent fall in base rates for most of its customers while earning it £19.5m in extra income. At the same time it has postponed the earlier cut in its rates which was due to take effect on November 1, along with those of most other mortgage lenders.

Audit Office saves £200m

The National Audit Office identified savings to the taxpayer of £200m in the 1991-92 financial year, five times its £40m running costs, according to its annual report which is published today. The savings resulted from the NAO's audit of the accounts of government departments and public bodies, and its value for money studies into particular activities. This brings the total saved for the taxpayer over the last three years to £500m, says Sir John Bourn, head of the NAO.

Demand falls for purchases

Consumers have become less keen to make large purchases over the past four months, according to a new survey of consumer buying trends which reflects more gloom over the economic outlook.

Verdict Research, a consultancy specialising in retailing, says its index of purchasing trends stood at 107 in September, the lowest number since it started the survey in June. The consultancy says the results for the numbers of people keen to buy houses and cars is "particularly depressed". It adds that "the short term prospects of a consumer-led economic recovery are very slim indeed".

Procter ad withdrawn

Procter & Gamble, the US consumer product giant, has retracted an advertising claim which could have been understood to suggest that one of its brands – Clearasil, a medicated product – would leave every user spot-free.

The claim, in press advertisements, was subject to a complaint upheld by the Advertising Standards Authority in its latest monthly digest of complaints concerning a wide variety of companies.

The ASA report said P&G "re-examined their documentary evidence before receiving the complaint" and "recognised that it was insufficient to support the impression that the product would necessarily leave every user spot-free and they had discontinued the advertisement".

Vitamin claim leads to fine

Larkhall Natural Health, a London-based health food company, was yesterday fined £1,000 and ordered to pay £35,000 prosecution costs over claims that its vitamin pills could improve the intelligence of children.

FINANCIAL TIMES SURVEY

DEVON

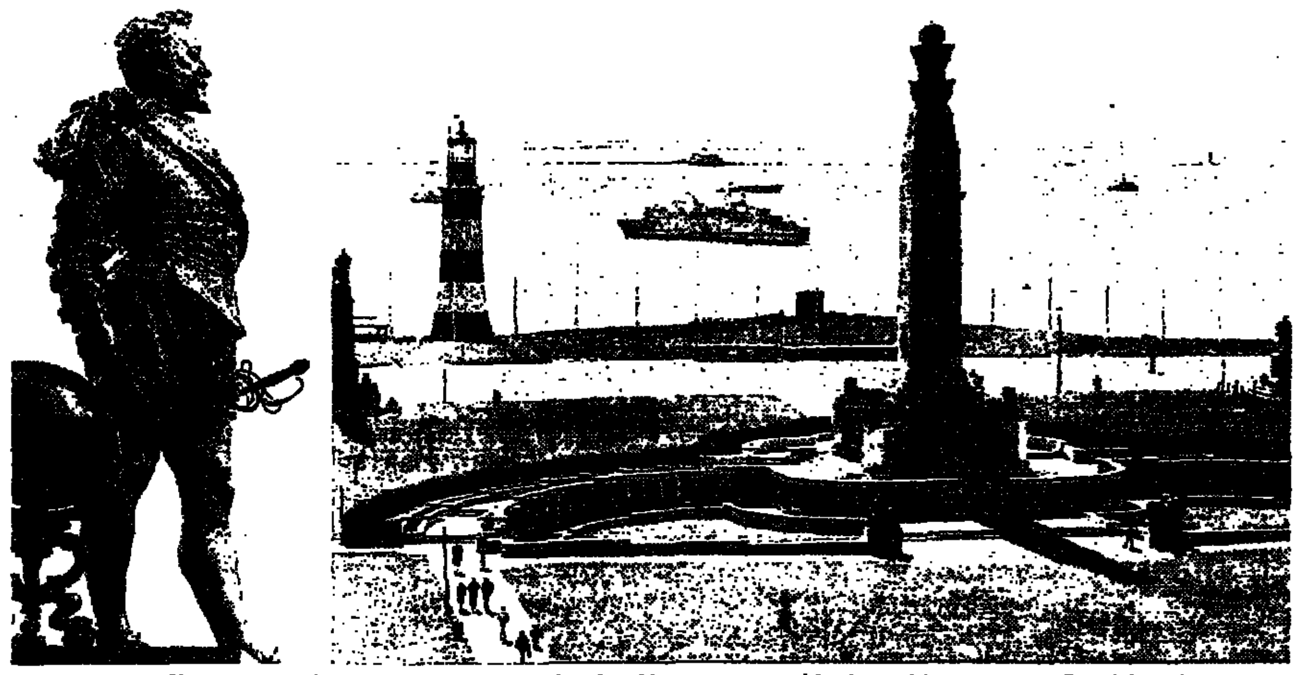
A naval defence tradition going back 300 years is on the line at Plymouth **Page 3**

North Devon, home of the cream tea, urgently seeks manufacturers **Page 4**

Wednesday October 14 1992

Devon's previous over-reliance on agriculture, tourism and defence has been lessened. Improved links with the rest of the UK and Europe are still needed, however, to encourage further investment. **Richard Evans** reports

A question of character



On the lookout: Sir Francis Drake on Plymouth Hoe. Today the skies are scanned for inward investors, not Spanish galleons.

DEVON has a dilemma. As economic development planning by local authorities and the private sector increasingly extends the employment base away from traditional industries, the problem is how to preserve the county's essential character.

A number of influences caused the local economy to prosper in the 1980s: the boom in the UK's national economy; overspill from the overcrowded south east region; an increase in defence spending, and a growing appreciation of the importance, for business location, of a good environment.

Changes were launched, seeking to avoid over-reliance on Devon's three staple industries: agriculture, tourism and defence. Substantial successes were achieved, particularly in attracting service industries to the Exeter area and electronics and light engineering to Plymouth.

Then came a series of reverses, and pressures on the local economy again increased. The county's primary industries took a hammering: tougher farming and fishing regulations, inaugurated by Brussels, were implemented; tourism patterns changed as more people travelled abroad; big defence cuts were introduced.

The "peace dividend" arising from the end of the cold war, warmly welcomed politically, has meant a steady rundown in defence related industries which are particularly important to Plymouth.

Devon has been trying hard to replace these traditional employers, vigorously encouraging inward investment and new business start-ups to create a broader spread of economic activities.

Recession has clearly affected the effort, as it has in the rest of the UK. But there are signs that the diversification already achieved has lessened the impact of the recession on Devon. The county should now be well placed to take advantage of any economic upturn.

However, there are longer term problems which remain to be solved. A variety of influences are all likely to have a significant impact on the development of the local economy: Devon's geographical position near the UK's southwestern tip; the challenge of competition from the Channel tunnel; liberalisation of eastern Europe, with its low wage economies; introduction of the single European market.

There is increasing concern that, as the UK integrates more with continental Europe, areas such as Devon might be perceived as being increasingly peripheral and might lose out accordingly, in terms of new investment and companies relocating to areas closer to – or actually on – the European mainland.

The recession has added urgency to the task of reshaping the local economy, now being addressed by both the local authorities and the private sector with a mix of measures designed to ensure that Devon offers the right facilities and employee skills when investment confidence picks up.

Mr Richard Clark, chief executive of Devon county council, says: "We have to maintain the health of our traditional industries but we also need to attract new employers and improve our links with the rest of the UK and Europe."

Mr Clark believes that greatly improved communications, including faster road and rail travel, an excellent education system (the county now has two universities – Exeter, and the recently upgraded polytechnic at Plymouth) and the county's well regarded quality of life will all contribute towards widening its employment base.

One difficulty has been that Devon has lacked a consistent voice. A plethora of organisations meant that potential target companies became confused – and the county's message dissipated. Attempts are being made to deal with this criticism by setting up a powerful West Country development agency along the lines of those for Scotland and Wales, charged with devising a coherent development strategy.

Responsibility for promoting and developing the local economy is now spearheaded by the local authorities – which have a reputation for being pro-active – by the Devon and Cornwall Development Bureau (DCDB), which has responsibility for inward investment from overseas, and by the Devon and Cornwall Training and Enterprise Council (Tec).

The Tec, established in 1990 as a private sector body responsible for the local delivery of training and business development initiatives, is one of the biggest in the UK, directing money and expertise into a wide range of services. Mr Eric Dancer, chairman of the Tec and managing director of Waterford Crystal, says there are enough people in the area who understand the challenges – and the priority which must be given to creating new jobs.

"We have to stimulate economic development as our number one priority, and that means shouting hard . . . people in the rest of the UK do not always see us as we are. They see a holiday area, and tend to gloss over the problems we face."

There is often less of a problem with potential overseas investors – once the initial perception of Devon on the fringe of Europe has been overcome. Since its inception in 1985, the development bureau has attracted projects creating 3,000 new jobs, and safeguarded 2,000 existing ones.

Some important Japanese and US high-tech companies have been enticed into the region, and Mr Ken Martin, chief executive of the DCDB, is now setting his sights on Europe – particularly Germany. Relatively few European companies have considered Devon, or, indeed, the south west region, as a UK base.

But many jobs are required to make good the current and potential losses from the cutbacks in defence spending. Many parts of the south west, and Plymouth in particular, have suffered significantly; there is little prospect of a reversal. Employment at Devonport dockyard, for example, has slipped steadily from 11,000, when its management was taken over in 1987 by DML, a private consortium, to 5,000.

To add to local worries, rumour is rife that nuclear submarine refitting work will be concentrated in future at a single UK yard – Devonport could lose out to its rival, Rosyth dockyard in Scotland. Plymouth city council and local business leaders warn that this would be disastrous for the whole area, resulting in the possible closure of the dockyard, with the knock-on loss of 15,000 jobs among local suppliers.

The county council has just applied to the Department of Trade and Industry for the retention of assisted area status for Plymouth and Bude, and for its reintroduction for Barnstaple and Ilfracombe, Bideford, Torbay, and Totnes. Success would bring substantial grants to improve local infrastructure and to attract inward investment – along with the prospect of further grants from the European Community.

Devon is primarily a small business economy, with 90 per cent of its companies employing fewer than 10 people. There is also a large measure of self-employment, particularly in agriculture, fishing and tourism.

It has been obvious for years that, to take account of changing economic trends, there would have to be substantial shifts in the county's infrastructure. Assisted area status for the less favoured areas would also help a great deal. The enterprise culture of the 1980s has turned sour, and the recession has begun to affect the small business sector especially badly, by sharp increases in business rates, the cutback of capital from traditional lending sources, a reduction in farm incomes and less spending by visitors.

The hope is, however, that the recession will be just a temporary blip in the progress made in reducing Devon's dependence on traditional industries. The county's strategy is to plan for growth, targeting industries such as electronics, light engineering, financial services, pharmaceuticals, and health care, which are environmentally friendly and will not mar Devon's many and much-loved attractions.

KEY FACTS

Area	6,711 sq km
Population	1,009,950
County authority	Devon County Council, County Hall, Topsham Road, Exeter EX2 4QD
Telephone	0392-382000
Chief executive	Richard Clark
District councils	
East Devon	Sidmouth 0395-516551
Exeter city	Exeter 0392-265613
Mid Devon	Tiverton 0884-234208
North Devon	Barnstaple 0271-722511
Plymouth city	Plymouth 0752-668000
South Hams	Totnes 0803-866425
Teignbridge	Newton Abbot 0626-61101
Torbay	Torquay 0803-296244
Torridge	Bideford 0237-476711
West Devon	Tavistock 0822-615911

Other Information

House prices (£)	Urban	Rural
3-bed semi	60,000	55,000
4-bed detached	100,000	75,000
Prime rents (£ per sq foot)	Urban	Rural
Office	13-15	8-12
Retail city centre	80-120	
Retail city	15-40	
Retail suburban	10-13	6-8
Industrial	3.5-6	2.5-4.5
Travel times to major centres	Road	Rail
Plymouth-Exeter	45mins	1hr
Plymouth-London	3hr,45	3hr
Plymouth-Birmingham	3hr,45	3hr,30
Exeter-London	3hr	2hr
Exeter-Birmingham	3hr	2hr,45

Source: detail researched by National Startpoint, producers of social and demographic data for relocation purposes. Telephone 0785-43235

Road and rail services steadily improve, writes **Richard Evans**

Some confusion in the air

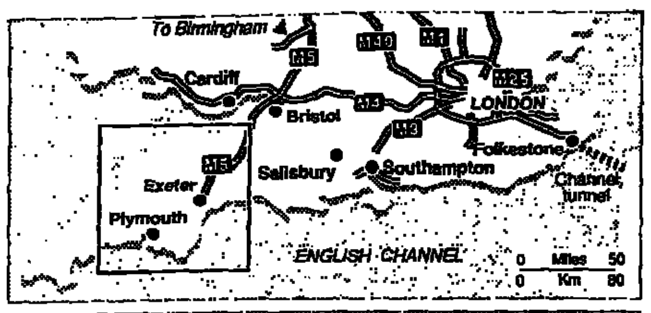
DEVON has suffered in the past from a perception that it is relatively isolated within the UK transport network: too inaccessible from London, the *south east* and the midlands.

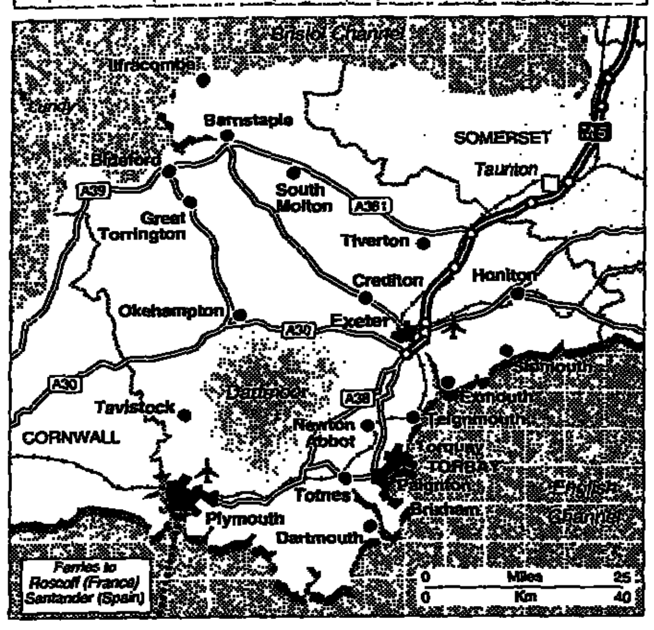
This certainly used to be true, but the county's *successful* start in diversifying its economy has been largely because of great improvement in its links with other parts of the UK and the rest of Europe. Many more need to be forged, but *the main task now is to* get this message across.

In general, the principal centres are within two to four hours drive, via the M5 and the motorway network, of nearly all the larger cities of England and Wales.

"Communications have often *been a handicap in the past*, but they have been greatly improved . . .*we must carry* on pushing for the remaining handicaps to be resolved," says Mr Eric Dancer, chairman of the Devon and Cornwall Training and Enterprise Council.

Drawbacks to road communi*cations that clearly* remain are the lack of a motorway across the county into *Cornwall*, and the poor links from north to south. Two specific improvements most sorely needed are the Barnstaple downstream bridge to relieve *traffic* congestion and improve north-south *access*, and the *Kingskerswell* bypass to relieve congestion in and around Torbay.





Exeter, the county capital and a growing financial services centre, is well positioned at the end of the M5, with jour*ney times of just over* an hour to Bristol, three hours to Bir*mingham* and *three hours to* London. But termination of the motorway at *Exeter* means that while the east of the county is well served, other areas still await improvements. The A38, which continues as a *dual or triple carriageway from* Exeter to Plymouth, is a high quality trunk route, but there are increasing demands for it to be upgraded to full motorway status.

Again, it is a matter of per*ception. "The blue line on the* map stops at Exeter and this looks bad to overseas companies considering investing in the south of the county," says Mr Ken Martin, chief executive of the Devon and Cornwall *Investment Bureau, which is* responsible for attracting overseas companies to the county.

Within Devon, recent completion of the north Devon link *road has greatly improved* internal communications, linking the northern centres of Barnstaple and Bideford with Exeter and the motorway network.

The main road project still *under way is upgrading the* A30 trunk road as the principal access route from southern England. When completed, in 1994-95, it will be an alternative *to the M5/M4* route to London, the M25 and the channel tunnel and *ports, and it will* give better access to and from Cornwall in the west.

Improvements in British Rail's InterCity services have brought Exeter within two hours of London's Paddington *station*, and there are *frequent* trains throughout the day, including early morning business expresses.

Here again, Plymouth, the county's big industrial and commercial centre, gets a *poorer deal. The city has a dis*proportionately longer rail journey time of over three *hours, and there is no train* arrival from London before *mid-morning. Plymouth would* benefit from a more limited stopping service, to give faster access to Paddington.

Exeter has another rail link to London through east Devon, Dorset and Salisbury to Water*loo. This line will never* rival the Paddington service, however, as the journey takes almost twice as long.

The big increase in traffic on the line could lead to improvements, but at present it is seen *mostly as a local community* service between Exeter and Salisbury, and as a commuting service from southern Hampshire into London. It could increase in importance when the Channel tunnel rail termi*nal opens at Waterloo.*

There are two airports operating in the county, at Exeter and Plymouth. Each has sought to become the region's premier airport, and a cohesive approach to the needs of air *passengers has suffered from* the rivalry between them.

Exeter, owned by the county council, has a turnover of over £1m; it runs scheduled services *to London's* City airport, Belfast, the Channel Islands, Paris, Dinard and Toronto. Among its big advantages are an excellent weather record and a long runway which can take the biggest aircraft.

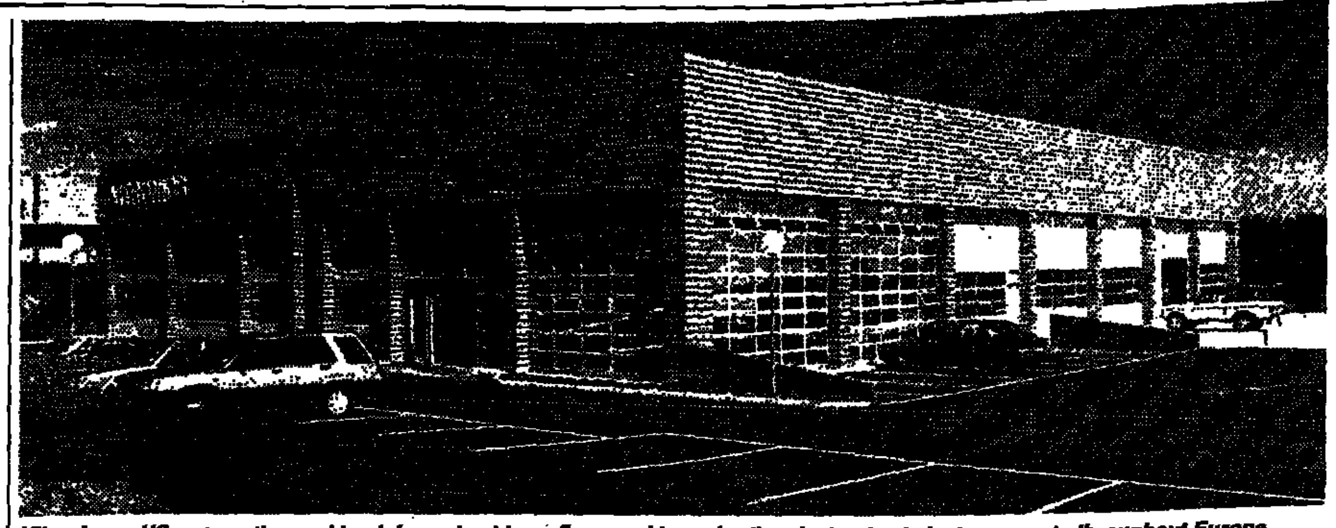
However, most of its recent growth has been in holiday charter flights. The three biggest tour operators, Thomson, Airtours and Owners Abroad all use the airport and, in addition to Spain, Portugal and the *Balearics*, new destinations planned for next year include Cyprus and Crete.

Plymouth, Brymon Airways' base, concentrates more on scheduled services to London Heathrow, Dublin, the Channel Islands and Paris. (Bristol airport is used as a hub for other *on-going flights* to the continent and the rest of the UK.) Its big drawback *is that it* has a short runway and can only operate with short take-off aircraft. There is much talk of upgrading Plymouth so that it can take bigger short-haul jets and turning it a real regional airport, but *this must be a long* way off.

A number of recent studies have stressed that air services serving the region require improvement if Devon is *to* compete effectively at a European level. Local business leaders in Plymouth point out that *the region is unique on the* UK mainland in having so few scheduled international services within acceptable driving distance of its main industrial centre.

Fast and easy access to *Europe by sea is available* by the roll on-roll off (ro-ro) freight and passenger ferries from Plymouth to Roscoff in Brittany and Santander in northern Spain. Brittany Ferries operates seven-hour cross*ings to Roscoff daily, and 25-*hour sailings to Santander two or three times a week. Over £7m has been spent in recent years on improving port facilities.

The opening of the Channel *tunnel next year is seen as* a probable boost to trade rather than a threat. The belief is that not only will it be cheaper for regionally-based businesses to send goods direct to France and Spain, but that congestion *on the roads leading to the tun*nel will increase business from the Midlands and the north.



Vitronics, a US corporation making infra-red solder reflow machinery for the electronics industry, exports throughout Europe

Richard Evans reviews the effort to attract new investment

Call it silicon peninsula

WITH Devon's traditional industries such as defence, agriculture and fishing in decline, and tourism under *threat from foreign competi*tion and unpredictable summers, the county must create more jobs by attracting new investment, both from UK companies and from overseas.

Great progress has been *made in the last 10 years*, especially with an influx of service industry jobs to Exeter and high tech companies to the *Plymouth area. More is needed* to combat the effects of the recession and the run-down in traditional employment.

"There has been a constant *process of companies relocat*ing in the county, but it has been getting slower," says Mr Ken Martin, chief executive of the Devon and Cornwall Development Bureau, which is responsible for investment *from overseas.*

"When selling Devon overseas you are also selling the whole of the UK, and the performance of the national economy is the backdrop against which you operate . . .at pres*ent this is causing problems* and until it improves it is going to affect our business."

The county's inward investment strategy has been designed to achieve a better balance of jobs; successes have *resulted from an improved* infrastructure and the attractions of a high quality environment and a skilled workforce.

Relocation has taken a number of forms: straightforward domestic corporate movement; *international arrivals*; expansion driven moves, and rationalisation programmes.

According to a study conducted by Knight Frank & Rutley, the surveyors and property consultants, relocation activity *in Devon is usually traced back* to the move made by London & Manchester Assurance, *the* insurance and financial services group; it transferred from London to Exeter in 1976. Since then the company, with 1,300 *employees*, has become one of the county's leading service sector employers, *and is also* active in the local property investment market.

Then in 1981, Toshiba, the Japanese electronics company, *initiated a big investment pro*gramme in Plymouth, where it *now employs over 1,000 people.* One factory supplies the company's entire output of colour television sets to the UK and European markets, and a second was opened earlier this year to produce air condition*ing units. About half will be* exported to Europe.

The Toshiba experience is given as proof of local claims for having one of the most stable and productive workforces in the country. Toshiba in Plymouth pioneered Britain's first no-strike agreement and has been remarkably free of industrial unrest.

Largely because of the example of Toshiba, another leading Japanese electronics company, *Murata Manufacturing*, decided to invest £50m in building a plant at Plymouth, now in production.

Less clearcut has been the experience with Harris Corporation of America. It planned *to set up a £120m semi-conduc*tor manufacturing and testing plant in Plymouth – which would have been the biggest prize so far – but the company has decided to put the decision on hold because of the world*wide fall in demand.*

But there are now about 70 *high technology* and many more precision engineering companies in the county – big names like British Aerospace Dynamics, Plessey, Northern Telecom and an ICI research laboratory. Such a heavy con*centration, attracted in part by* the strong academic and research base of the universities at Exeter and at Plymouth (where *the* polytechnic has been upgraded), has made Devon and Cornwall known as *the silicon peninsula.*

"When selling Devon overseas you are selling the whole of the UK"

This expansion has been mirrored in the machine tool industry, with investments from Gleason's, Barden Corporation and IBL, supported by a relocation of Hepco Slide *Systems from the London area* to manufacture precision components for machine tools at Tiverton.

The financial services and insurance sectors have grown, too – though not yet on the *scale of other centres in the* south-west nearer to London, such as Bristol. The most notable recent relocation has been that of Medical Sickness, which moved from London to Exeter a year ago.

Devon county council, Exeter and Plymouth city councils and private organisations jointly seek to bring in "sunrise" companies to fill the vacuum caused by the decline in defence and other tradi*tional industries. Prime targets* are more electronics and precision engineering companies, healthcare, pharmaceuticals and biotechnology.

Mr Mike Wharton, county industrial development officer, *also stresses the importance* for inward investment of retaining assisted area status for Plymouth and Bude, and reinstating it for Barnstaple and *Ilfracombe*, Bideford, Torbay and Totnes in the government review which is about to be concluded.

Success would mean help in improving the infrastructure, and would make it easier to attract companies to areas of the county with high unem*ployment*, including a superb new business park near Barnstaple.

The development bureau, supported by the government, local authorities and private companies, has a budget of *£900,000. It has staff in Boston* and Tokyo and shares an office in Taiwan with five other English regional development organisations which, individually, did not have clout similar to heavily financed Scottish and Welsh agencies.

A small advantage high*lighted by Mr Martin is that* Devon is a net importer of goods, which means that there are opportunities for "backloading," or transporting other *goods on a return journey*. This can give a distinct cost advantage.

More relevant, though, in attracting investment is the quality and flexibility of the workforce, good education ser*vices, relatively low develop*ment land and wages costs, and intangible factors such as the welcome given to outsiders moving in, the quality of life, and the willingness of staff to live in the county.

Devon has been relatively successful in attracting companies from within the UK and from the US and Japan, but there has been a dearth of newcomers from Europe. *Most of* the European companies are *there as a result of acquisitions* or mergers, rather than investment in greenfield sites. The development bureau is aware of the problem and is trying to *meet it – but finds competi*tion increasingly fierce during the recession.

Michiyo Nakamoto follows the drive towards high-tech

A workforce of good repute

Famed for its rolling hills, spectacular coastline and pic*turesque villages, Devon may* seem an unlikely location for high technology industries.

In contrast to its image, however, the county, together with its neighbour Cornwall, has over 70 companies involved in *high technology employing* more than 11,000 people.

The Devon and Cornwall Development Board (DCDB), which is responsible for the region's inward investment, has targeted electronics and *precision manufacturing* as two industries it hopes to attract to the region.

Devon and Cornwall account for some 3.3 per cent of total electronics employment in the UK, even though it has only 2.7 per *cent of the total popula*tion, according to a study by Coopers & Lybrand Deloitte, commissioned by the DCDB.

Many of those companies, ranging from British Aerospace Systems and Equipment to Toshiba Consumer Electronics of Japan and Harris Semi*conductors of the US, are based* in Plymouth, Devon.

"We are beginning to build a base of high-tech companies," says Mr Ken Martin, DCDB's *chief executive.* "You build a reputation, like Silicon Glen."

Devon's reputation is built on a number of factors, foremost of which is the availability of a skilled, hardworking and loyal workforce at competitive wages.

"Because of other high-tech industries there is a pool of labour that's used to working in high-tech conditions," says Mr Jeff Salter, worldwide marketing communications man*ager for GEC Plessey Semicon*ductors, which has a manufacturing facility in Plymouth.

The Coopers & Lybrand study showed that over 70 per cent of companies interviewed considered labour turnover to be low or very low while *absenteeism* was not regarded as a problem. "I've worked in Singapore and New York and from those experiences I had expected higher absenteeism and turnover *but I am very* happy with what I have seen so far in Devon," says Mr Yoshitsugu Fujiwara, managing director of Murata, the Japanese manufacturer of electronic components which has a manufacturing *operation in* Plymouth.

Furthermore, for historical reasons, because it was predominantly agricultural; the region has been spared much of the labour unrest that has *rocked other parts of the UK.*

From a cost perspective, the region's labour costs are about 25 per cent below levels in other regions of the southeast.

And where staff suitable for a particular task are not avail*able locally, the beauty of its* natural environment helps the region to attract the necessary people to move there.

Another important asset is the presence of academic institutions. Exeter University's sci*ence faculty - the largest there* - specialises in microprocessor systems, power electronics, and Digital Signal Processing, while Plymouth University, formerly Polytechnic Southwest, is one of four centres in *the UK awarding a Master* of Engineering degree in information engineering.

But the DCDB has had to work hard to spread the word that Devon could provide the desired intellectual climate. (There is a *general feeling* abroad that the UK has only two *universities*, Cambridge and Oxford, says Mr Martin.)

Increasingly, Devon faces intensified competition for inward investment by high *technology companies* because of recession, and the changing circumstances of a *Europe* marching towards a single market.

The recession has undoubtedly slowed the pace of invest*ment, admits Mr Martin.* While roughly the same number of companies has been expressing interest in Devon, the time between a company expressing interest and doing something about it has grown longer.

And for companies looking to supply the wider European market one of the problems the region faces is the availability of local suppliers and the time it takes to distribute goods to the rest of the UK and Europe.

*Competition for the Euro*pean market is growing and the speed with which a company can bring its product to market is becoming a more critical factor in electronics and other high technology industries.

As a result, access to high *quality suppliers and speedy* distribution channels can make the difference between winning and losing.

The Coopers & Lybrand study found that availability of local suppliers was seen as bad *by 5 per cent of respondents*, poor by 42 per cent and as only *satisfactory* by 30 per cent.

The remaining 23 per cent thought availability was good, rather than excellent. Nevertheless, 12 per cent of respon*dents felt that the quality of* the services was excellent, with a further 60 pre cent saying it was good, and that the main problem was the lack of choice of suppliers and services within the region.

Furthermore, it was felt that for the sourcing of supplies and the distribution of products to other parts of the UK and Europe, the transport infrastructure could be improved.

"If you need a part from South Wales, our competitor will get it in two hours while we will get it in five," says one Japanese manufacturer.

Mr Fujiwara at Murata says the company has been encour*aging the Plymouth authorities* to build a larger airport.

Another area that could be improved is the overall level of education. "The general level of education, which is not as high as in Japan, is a problem for the whole of the UK," he says.

If Devon is to continue attracting a high level of inward investment in competition with a growing number of continental European locations, improvements to the infrastructure, the develop*ment of local suppliers and ser*vices and a high quality educational system are some important areas it will need to work on.

DEVON 3

David White examines the core of the county's defence economy

Dockyards in waiting

JUST LOOK at the pubs of Plymouth: the Navy, the Maritime Inn, the General Moore, the Lord High Admiral, the Admiral McBride, the United Services Inn. The place is riddled with military tradition. At the city council, Labour-led these days, the committee rooms bear names like Ark Royal and Temeraire.

This is one of the areas of Britain most dependent on the armed forces and activities supporting them. But it is now fighting against the threat of losing much of its military role - decisions that could make its 300-year-old dockyard unviable and severely reduce its naval presence.

The refit yard, owned by the government but run by a private-sector consortium, Devonport Management Ltd (DML), sprawls over 300 acres, across the river from Cornwall. The site, with its three miles of deep-water berths, is dotted with historic buildings, some refurbished, some standing empty. With the naval base – the two are located virtually on top of each other – it is the biggest complex of its kind in Europe.

This is the core of Devon's defence economy. The Plymouth area accounts for some 23,000 Ministry of Defence salaries. This figure includes 5,000 dockyard employees, 3,500 civilians and 1,500 navy personnel at the base, some 3,000 Royal Marines, a commando regiment of Royal Artillery and about 7,000 sailors serving on Plymouth-based ships. Plymouth is the home port for, among other vessels, most of the navy's frigates and its largest squadron of nuclear-powered submarines.

A government decision on where to concentrate nuclear submarine work is expected very soon

Various other defence facilities are scattered around Devon, including the Royal Naval College at Dartmouth, the RAF's Hawk training squadron at Chivenor in the north, and the Exeter headquarters of the locally-recruited Devon and Dorset Regiment, known to some as the Armoured Farmers.

So far these have not been bitten by cutbacks under the government's Options for Change defence review, but others have. RAF Mount Batten, a one-time flying-boat base on a promontory on the edge of Plymouth Sound, is scheduled to shut down by the end of the year, with its combat survival school moving to St Mawgan in Cornwall. Closure of naval weapons facilities at Ernesettle, just up the River Tamar from the Devonport dockyard, will affect about half the 760 employees there.

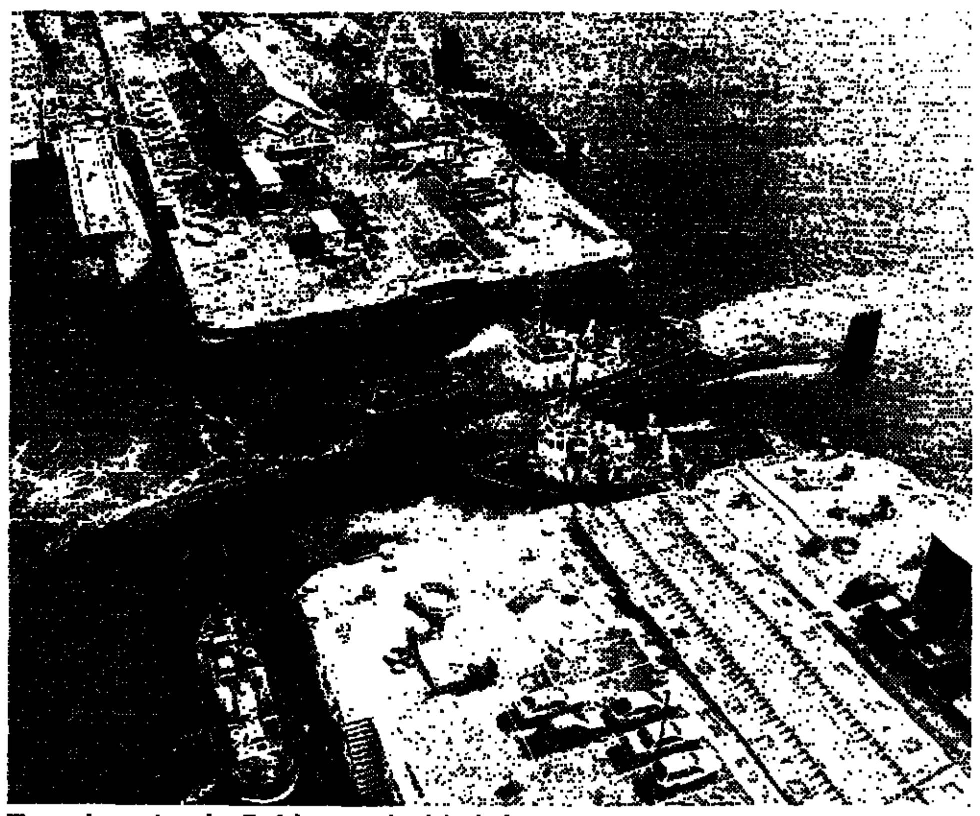
The dockyard itself employs less than a quarter of the workforce it had at the end of the second world war. In 1985 it still employed more than 13,000.

Since then, 8,000 jobs have gone. After it was transferred to private sector-management in 1987, its workload fell faster than anticipated. Worse than that: reductions announced in 1990 in the navy's submarine fleet threatened its very livelihood. DML concluded there would no longer be a need for two UK facilities for refitting and refuelling nuclear-powered submarines, the backbone of the business both at Devonport and at Rosyth in Scotland. Rosyth, responsible for the work on all Britain's Polaris nuclear-missile submarines and about half the remaining nuclear-powered fleet, already had a project in hand for docks big enough to take the new Trident boats.

The "great nuclear race" was launched in May 1991, when DML sent an unsolicited proposal to the MoD and the Treasury. Its plan is a £200m development over 10 years, aimed at undercutting the cost to the government of going ahead with Rosyth. The plan uses mostly existing facilities. In addition to the two docks of Devonport's present submarine complex, DML plans to adapt for the purpose three huge dry docks which were designed before the first world war to accommodate battleships.

A government decision on where to concentrate nuclear submarine work is expected by the end of the year, to be followed by moves towards further privatisation. In August the MoD invited companies to register interest in purchasing one or both dockyards.

DML has succeeded in diversifying into a range of activities, from all-terrain vehicles to fire-protection panels. The 10 identical ocean-going yachts taking part in the British Steel round-the-world race are Devonport-built.



The nuclear submarine Trafalgar, moving into dock

The amount of work won by competition – as distinct from being allocated by the MoD – has risen to 22 per cent. A navy frigate in a covered dock stands side by side with the Sultan of Oman's royal yacht.

But there is no escaping the overriding importance of the nuclear business. A submarine like Trafalgar – the first of the navy's most recent class of "hunter-killer" boats, now in dry-dock at Devonport – represents up to £150m worth of work over 2½ years.

DML executives have studied the alternatives if the decision goes against Devonport, but have come up with a bleak picture. Mr Mike Leece, DML's managing director, says it might be possible to keep two naval dockyards. "But one would be much reduced in size from now," he says. Devonport needs the submarine activity to optimise its facilities and remain competitive. It has, says DML, less chance than the smaller Rosyth facility of surviving on surface-ship work alone.

A recent study by Dr Paul Bishop of Plymouth University (the former Polytechnic South West) estimated that closing the dockyard and running down the base could cost 22,600 jobs, including many of the region's higher-paid industrial posts. The complex, he found, generated £521m a year into the local economy of Devon and Cornwall, some 5 per cent of total income and 30 per cent of the Plymouth area's. Almost 30,000 jobs were supported by it, directly or indirectly, with 600 local companies receiving orders from the dockyard.

It is little wonder, then, that Plymouth City Council, even with a Labour majority, should have cast aside any qualms about nuclear activities and thrown its weight firmly behind DML's case. Mr John Ingham, council leader, says the area's skill-base has already been badly affected by job losses at Devonport.

"We've had no favours from the MoD at all," he complains.

He cannot envisage "the worst doomsday scenario" - complete closure not only of the dockyard but also the base. "We wouldn't be able to stand the scale of that without some profound government help . . .The support we would need from central government would be quite astronomical."

Richard Evans investigates Plymouth's efforts to revitalise itself

Peace dividend brings problems

PLYMOUTH, a big industrial centre that would probably feel more at home in the Midlands or the industrial north, is an odd city to be in Devon.

It has managed in the past to combine the demands of an important regional and industrial centre with one of the most enviable environments in Europe. The balance between the two faces of Plymouth has not always been easy to maintain, but it is becoming increasingly vital to do so.

It offers a curious mix of engineering and high-tech industries – along with a flourishing tourist trade based on its spectacular history as the port from which the Pilgrim Fathers sailed to colonise the New World, and Sir Francis Drake set out to defeat the Armada after completing his leisurely game of bowls.

Plymouth desperately needs new jobs for its growing numbers of unemployed. It needs also to attract trade, through continued growth of tourism.

The city, which regards itself as the regional capital of the south-west, has been hit economically by a double blow. The recession has had as much impact as in other parts of the country; there have been closures and redundancies and a slow-down in inward investment. But in addition, Plymouth has been hit severely by the rundown in defence industries – the impact of the peace dividend. Plymouth's economy is still highly dependent on the naval dockyard at Devonport, the largest in Europe. Jobs in the dockyard have spiralled down from 13,000 to 5,000 in the last six years. It seems likely that they will fall further.

Unemployment, approaching 14 per cent, puts Plymouth into the top 20 economic blackspots in the country, and it has the fastest growing jobless rate of any big UK city. However, there is now another black cloud hanging over the city: the indication is that vital nuclear submarine refit work is likely to be concentrated on a single site in future. Essentially this means that a choice will be made by the government in the next few weeks between Devonport and Rosyth in Scotland, the only other royal dock.

The City Challenge bid drew together council, private sector business and voluntary bodies

Earlier this year the city council, local business leaders and DML (a private sector consortium put together by BICC, Weir Group and Brown & Root, which has run the dockyard since 1987) launched a campaign to lobby the government on behalf of Plymouth.

It warned that failure to secure the nuclear work for Devonport would result in the dockyard's eventual closure.This would mean a knock-on effect on the 15,000 defence related jobs throughout the area, which amount to 3 per cent of the total workforce. In addition, up to £1bn would be extracted from the local economy.

DML has been trying to diversify by taking on work for British Rail and, among other projects, by refitting luxury yachts, but compared with refitting nuclear submarines at up to £100m a time, alternative work is small beer.

The loss of the refit contract would be a body blow – particularly after the disappointment of failing to win the government's City Challenge competition earlier this year, when a series of ambitious projects to rejuvenate run-down waterfront areas were proposed.

However, there is evidence that the launching of the City Challenge bid did a lot to draw the Labour-led city council, private sector businessmen and voluntary bodies together and the intention is to build on this new partnership.

As a consolation prize, the government is to establish an Urban Development Corporation with a budget of £45m over five years to develop the Royal William Yard on Plymouth's waterfront, which is being handed over to the city by the Ministry of Defence as surplus to requirements.

This new initiative is likely to be the catalyst for the redevelopment of large sections of the waterfront as part of a broadening of the local economy. It is particularly welcome, as the city has run out of development land, but there are problems.

The magnificent dock buildings, built in 1825 to supply the fleet, are Grade I listed. Recent decades have brought neglect; their refurbishment will take a big slice of the available funds.

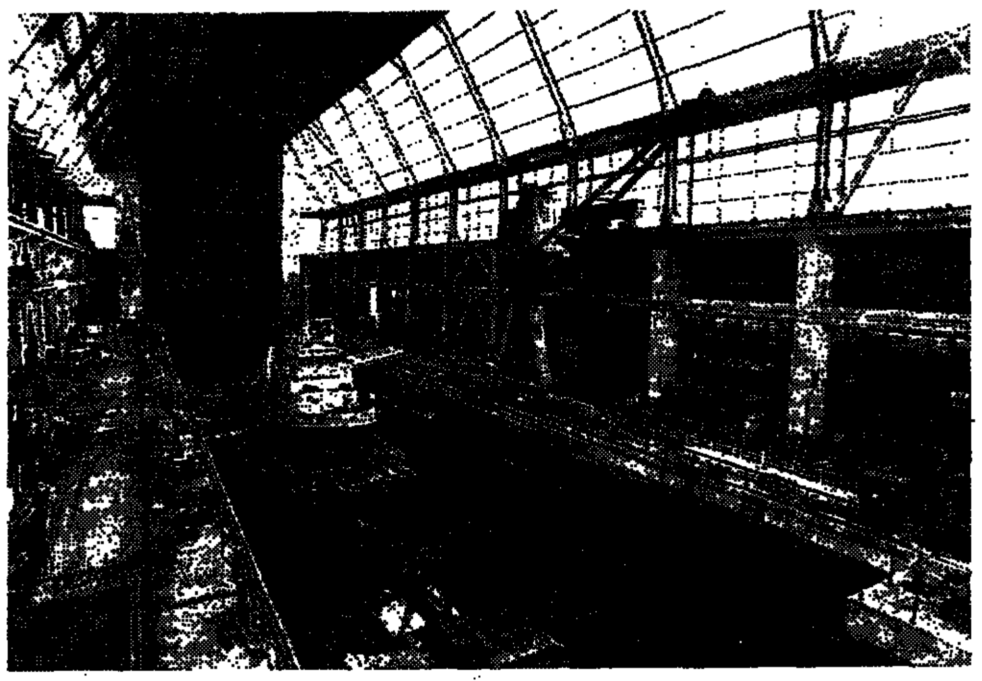
Plans are being co-ordinated by the Groundwork Trust with the help of the city council and local businessmen. But access is difficult through the narrow streets, and it is unclear what will be the most effective use for the site.

Some progress has been made in diversifying the economy. Among the most successful locally-based companies are Wrigley, the chewing gum manufacturer, which has defied the recession with successive production records; Toshiba, the television manufacturer, and Murata, the Japanese-owned high-tech producer of ceramic capacitors.

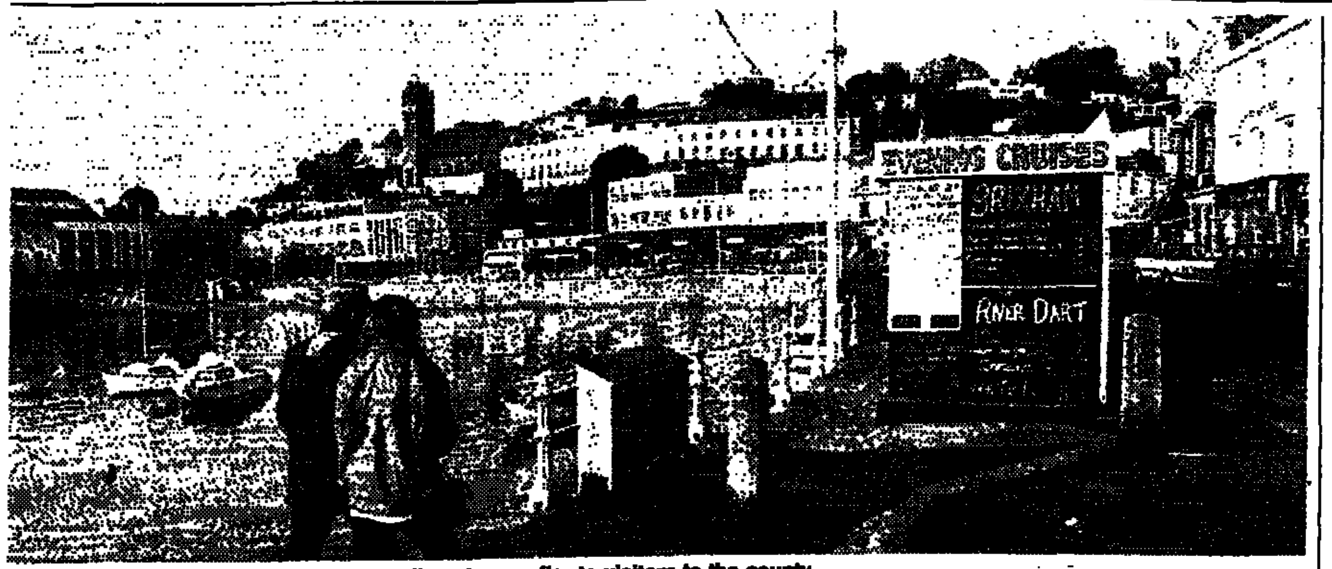
The city is also trying to attract more service industry jobs – an area where it has been overshadowed by Exeter. It has built a £30m complex containing a concert hall, skating rink, "tropical" swimming pool and conference facilities.

The dual purpose of the Pavilions complex, the biggest capital project ever undertaken by the city council, is to bring in more business by promoting Plymouth as a regional conference and exhibitions centre, and to add to the city's all-year leisure facilities for tourists as well as residents.

Much hangs on the imminent submarine refit decision, but the city is taking steps to minimise the impact of further losses in defence-linked industries, and to ensure that alternative employment is found.



The frigate shop at the Devonport Royal dockyard, Plymouth



Torquay harbour: a small section of the diversity on offer to visitors to the county

Angela Wigglesworth joins the tourist beat

Pleasure in diversity

WHAT brings 3.5m visitors to Devon each year?

The answer lies in the diversity of what the county has to offer: wide surfing and sandy beaches, pretty villages, the resorts of Torquay, Brixham and Paignton and attractive old towns of Totnes, Dartmouth and Salcombe. For excellent wet weather facilities you have Plymouth and Exeter. There are the wild, open spaces of Dartmoor and Exmoor, the coastal paths on the South West Way Peninsula Walk and any number of sporting facilities. Publicity brochures list 300 tourist attractions, and accommodation ranges from low cost to luxury.

But although the number of visitors has fallen this year – and those who came have spent less – Devon is awash with new schemes to care for the countryside and prevent tourists from destroying places they come to enjoy.

The Devon Action for Tourism and the Environment (DATE) is an initiative from the county council; the Dartmoor Area Tourist Initiative (DATI) is a public and private sector partnership providing village, town and farm interpretations, guided walks, grant-aided conservation work, public transport initiatives, and a Green Business Guide for tourism businesses to adopt a go-green policy.

On Exmoor, the National Park authorities are coordinating public transport to make it easier for visitors to use. National Trust is using car parks as tools to keep people away from "honeypots"; the Devon and Cornwall Rail project seeks to make local transport services (the Tamar Valley line and the Tarka Line) more viable for visitors; the Tarka Trail, now being developed, will be a long-distance walking and cycling route along a disused railway track linking Exmoor and Dartmoor.

"Celebrate the Countryside," to be launched on November 9, seeks to encourage people to speak of the West Country as a rural rather than seaside resort destination. "While this is a marketing campaign," says Janet Reynolds, the county council's tourism development officer, "it will enable us to find out what people want, and we hope ultimately to have a system into which private sector operators put money to fund local projects."

The Seaton Tramway runs alongside the river Axe to Colyon

This summer, South Devon's green efforts (which include, in Torbay, using energy-saving 12 volts instead of 250 for its illuminations) were rewarded when the area was chosen to be a national pilot for an English Tourist Board project to promote environmentally friendly tourism. The country's first-ever Green Tourism officer will be appointed soon.

"I think this is the missing link," says Sue Beswick, marketing and tourist officer for South Hams, one of the areas in the scheme. "The advantage of having a specific officer is that he or she will be able to get and talk to the industry. It's all very well telling hoteliers they should use environmentally friendly products, but what are they going to cost and where do they get them?"

Up in North Devon, many involved in the tourism industry feel the area does not have a high enough profile, and that local councils should spend more on marketing it. Mr Gordon Moore, who manages the Clovelly Visitors Centre and is chairman of the Devon Association of Tourist Attractions says that although tourism is the biggest industry in North Devon, the two councils covering the area (North Devon and Torridge) only spend about £120,000 in total on promoting it, and the figures should be doubled.

At The Milky Way, near Clovelly, where the Stanbury family turned their dairy farm into a successful tourist attraction when ruin stared them in the face after the introduction of milk quotas in 1984, Mr Trevor Stanbury feels that, as most Torridge councillors do not work in tourism, they cannot see the benefits.

There are problems, too, with planners. Nick Harvey, the North Devon MP, believes they are over-protective and not sufficiently flexible. The North Devon link road, which opened three years ago, cut into the wilderness to replace the old road with its pubs and hotels.

No one uses this one now, but the local authority is refusing permission for hoteliers and publicans to put up directional signs on the new road to tell visitors what facilities are available nearby which would make their stay in Devon more enjoyable. "Some of the villagers are pleased to be passed by," Nick Harvey admits.

The holiday resort in Devon which probably has the most problems is Ilfracombe. Unemployment is 22 per cent (its largest increase was over the last year – top of the national league).

A few hotels are feeling the recession so much that they are advertising to people on social security in Liverpool with the message: why be out of work in Liverpool when you can be out of work in Devon? (People have already responded – and come, causing intense controversy in the town.)

The chief executive, Bob Hall, admits Ilfracombe needs to be served by a better road system – but as this would cost £32m and the council has £8m a year to spend, it is not likely to get it.

The town's decaying Victorian theatre will have to close in two years time unless it is rescued by a private developer, because there is no public money to restore it. Mr Nigel Smith, the tourism officer, admits the town needs millions spent on it to make any real difference

But he is optimistic about the county's future. "Britain hasn't got a good reputation for value for money in the tourism field," he says, "but I think Devon's hotels, particularly, do offer very good rates.

A Devon success story? 30 years ago Percy Brend, a butcher who supplied meat to the local luxury hotel at Staunton Sands, dreamed of buying it. He did buy it – and now his three sons run it, together with nine other hotels in the West Country. Percy's widow, Florence, now in her 80s, still has a hand in the hotels' interior decoration.

This year the family bought another three star hotel in Barnstaple, and has built a luxury out-door pool at Staunton Sands overlooking the resort's three mile long sandy beach.

Andrew Adonis finds that higher education has come of age

The aim is to come top

HIGHER education in Devon has finally come of age.

Forty years ago, the county could boast only an Exeter-based outpost of the University of London, not allowed to award degrees in its own right until 1955. A decade later came a polytechnic at Plymouth. This summer, Polytechnic South-West was transformed into the University of Plymouth under the government's policy of ending the formal segmentation of higher education.

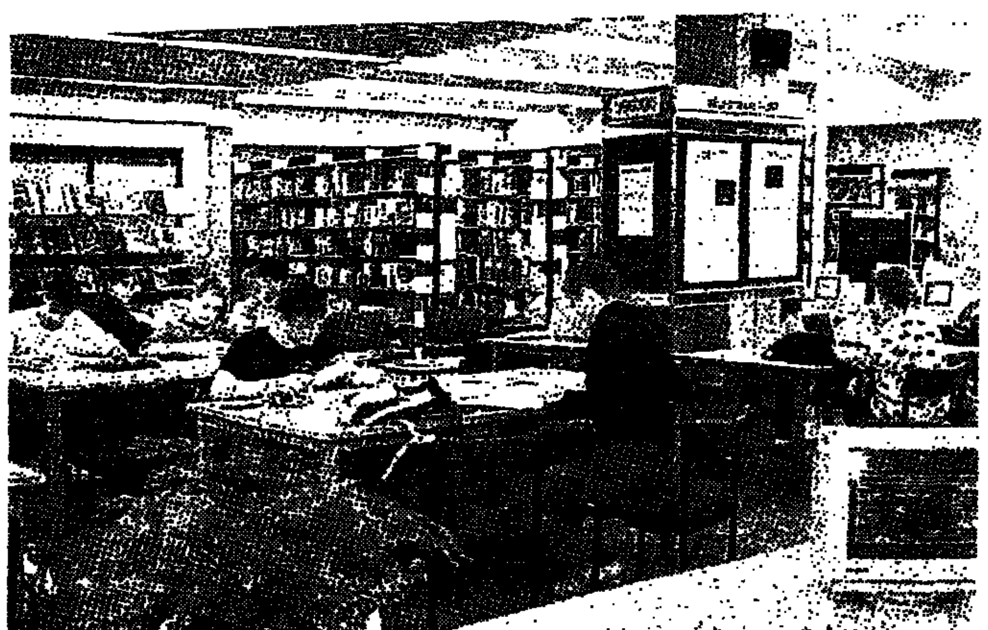
"We were top of the poly league; now we are aiming for the top of the university league," says Mr John Bull, vice-chancellor of the new university.

But he stresses that he has "zero intention" of abandoning the old polytechnic mission of promoting vocationally-oriented study and part-time and mature student courses. "We remain committed to ensuring that teaching and research are directed to the needs of communities we serve."

A few figures graphically. spell out those needs. About a fifth of the university's 15,000 students are aged 25 or over; nearly half (excluding those on short courses) come from the south-west; almost half are women; agriculture, food, land use, business, education, science and technology account for almost all its courses; and around a third of its students study for the Higher National Diploma (HND), the top branch of the vocational tree.

For Plymouth University, widening access is not simply a matter of encouraging a broader range of applications: it means moving out – physically – into the local community. A series of mergers in the late-1980s brought it a college of education in Exmouth, the Art and Design College of Exeter, and the Seale-Hayne Agricultural College at Newton Abbot. That gives it four campuses in all, to which should be added a dozen or more institutions – mostly further education colleges – in Devon and the surrounding counties with which it has partnership or franchise arrangements.

The university's growth has been extraordinarily rapid: it has almost doubled its student numbers since gaining independence from Devon County Council in 1989. With an income target of £60m this year, it has taken on a £12m capital spending programme financed entirely from its own resources and borrowing. "Independence has been a remarkable stimulus to growth – particularly the funding council's encouragement to us to take students funded by fees only," says Mr Bull.


The Computing Service at Plymouth University is a sophisticated resource for everyone

The former polytechnics emphasise teaching, not research. Plymouth University, though, exploits its science focus through a research and consultancy subsidiary called PEP Ltd. "Most of our £1m turnover comes from close-to-market or government-funded projects," says Mr Peter Webber, its principal consultant. Current projects include the design of software tools for flexible manufacturing, for which partners include Du Pont, a Belgian subsidiary of the US company; Jaguar, the British motor company, and Harland Simon (formerly John Brown Automation).

Plymouth University, formerly Polytechnic South-West, aims for an income target of £60m this year, and exploits its science focus through a research and consultancy subsidiary called PEP Ltd, whose £1m turnover includes the design of software tools for flexible manufacturing

Exeter University, too, emphasises its business and industrial links. Exeter Enterprises Limited, its consultancy arm, recently won a £100,000 Department of Trade grant to help it expand over the next three years, which it intends to use to open offices in Plymouth and to create a trading arm for its Biotechnology Research Group.

Exeter University is unashamedly a national university – less than 10 per cent of its students come from Devon – and competition for places is strong. Its expansion has been glacial by Plymouth standards: full-time student numbers are at 7,000 rising by about 150 a year, with the number of academic staff up 100 on a decade ago. Education is its biggest department, under the direction of the ebullient Professor Ted Wragg.

The university has just finished a multi-million pound project to provide accommodation for an extra 600 students. It is determined not to expand faster than its capacity to provide residential accommodation for almost all its intake.

Dr David Harrison, Exeter's vice-chancellor, is keen to deepen the university's regional roots, but not at the expense of its national stature. "We are concerned to recruit effectively north of the Trent, something we have not been particularly good at hitherto," he says. Unsurprisingly, he is not enthusiastic about two year degrees or a re-structured academic year, and wants to keep small seminar groups of less than 10 as the norm for undergraduate teaching. "Students, you know, are even more conservative on these kind of issues than we are," he adds with a smile.

Endowed with an impressive central site and 240 acres, Exeter university combines the virtues of the campus and the city-centre university. First year students mostly live in halls of residence, with self-catering accommodation available for most students in subsequent years.

The university has a strong research focus. Dr Harrison has been resolute in concentrating its "loose" research funding on departments highly rated by the Universities Funding Council, and he sees next February – when new research-quality ratings and a revised funding formula for teaching take effect – as "a crunch date for us." "It may be that a few departments will be in for a shock," he says. Since departments are also cost centres, the lower-rated could be obliged to pack in more students to maintain their income.

Besides its main campus in Devon, Exeter University has an Institute of Cornish Studies in Camborne, Cornwall, carrying out research on Cornwall's economy and society as well as its cultural heritage. The university is also taking over the Camborne School of Mines, which will become part of its school of engineering.

Exeter also boasts the first professorship of Complementary Medicine in Europe. Established this summer with a £1.5m donation from the Maurice Laing Foundation, the chair will strengthen its pioneering Centre for Complementary Health Studies.

North Devon is working hard to promote itself, writes Angela Wigglesworth

Less cream, more jobs

THERE IS more to North Devon than cows, Clovelly (the area's most photographed picture postcard village) and cream teas.

This is the cri de coeur coming from local councils, pulling out all the stops to encourage new industry to come to the region. The growth in unemployment in North Devon, according to its Member of Parliament, Nick Harvey, is the highest of any "travel to work area" in the country.

In fact, no big industrial companies have started up here since 1984, when the region lost its assisted area status. A reversal of this decision, which local organisations now urgently seek, would unlock the door to government help for new and existing companies, offer a carrot for others to come to the area, and give an entrée to European funds for improving infrastructure.

Geographically, north Devon (which is covered by two district councils, North Devon and Torridge) stretches from Bude on the Cornish border in the west, to Lynton in the north and Okehampton in the south.

It is a small-business community. "One of our problems, when it comes to attracting manufacturing industry, is that we're seen by too many people as the place where people come for a holiday, and we're not known for what else we have to offer," says Mr Eric Dancer, managing director of Dartington Crystal, one of the larger employers.

He believes, too, that the area is insufficiently competitive with other counties in what it has to offer, and he is forming a West Country development agency to attract new money in a coordinated way, identifying unemployment black spots and the action needed to improve them. It will also provide an umbrella for all the organisations at present involved in requesting assisted area status. If people contemplate coming to Devon, Mr Dancer says, they will now find that the local community district council and industrial associations will work overtime to make them welcome.

"We have to get the message through that north Devon is not as remote as people think"

Mr Bob Hall, North Devon District's chief executive, is committed to industrial development. He has just appointed Mr Peter Lyons as the council's first economic development officer. "A year ago," Mr Hall says, "we saw a local pharmaceutical manufacturer – then American-owned, and employing 460 people – announce it was closing down. With a 15 per cent increase in long term unemployment in the area, and several other companies shedding jobs, this was a spur for us to get involved in economic development. We now have 30 to 40 acres of industrial estates lined up and ready to go."(In fact the company was saved by a management buy-out.)

Peter Lyons comes from a background of industry, not local government. "I didn't want anyone from local authority," says Bob Hall. "I wanted someone who had held senior positions in business and manufacturing. What we have to do now is get the message through that north Devon is not as remote as some people think, that we're actually keen on seeing development and growth. With a budget of £50,000 it would be unrealistic to say we're going to make a huge impact, but we are committed to it and people should come and see what we have to offer."

What *does* the area have to offer prospective companies? A skilled and willing work force with a history of good industrial relations; available sites; low costs; a college providing training opportunities for local employers and small business start-ups; a pleasant environment, and improved road transport brought about three years ago with the opening of a new link road from the M5 to Bideford – although it is still necessary to improve the county's north/south road links.

A project further to the south is Torridge's twinning with North Finistère in France. This is aimed, says Richard Brasington, the chief executive, at hard-headed commercial development, with both sides learning from each other's expertise in the industry and tourism fields. A shop in Finestère is already selling Devon products, seminars will be held this month and next in both countries – and Torridge has run a course of French lessons for those taking part.

Links are being formed, too, with Rugen in North Germany, an Objective I Area in European regional development policies. "Such a tripartite link," Mr Brasington says, "will potentially give us greater access to European funding for infrastructure development here."

He accepts the paradox that the area might be spoilt by bringing in industrial development, "But we're a hundred light years away from that. We could comfortably establish six large new industries on industrial estates in and around our district without making any impact on the environment, and as sites are already allocated, it wouldn't be a question of encroaching on the countryside."

Mr David Pinney, the district planning officer, says the council will help if troubleshooting is needed with the water and highway authorities, and will act for companies as much as it can. "It's all about positive planning and making things happen. If we can't get the economic side right, we can pick up and go home."

A company that has got it right and employs a large number of local people is Appledore Shipbuilders, acquired in 1972 by Langham Industries whose managing director at Appledore, Mr Jim Wilson, has raised a £12m turnover in 1972 to £28m last year. But it has lost big orders because of difficulty in financing guarantees and lack of government support. It really gets to me that this government doesn't take a more patriotic stance to help its citizens," Mr Wilson says.

Whatever the government is not doing, north Devon is certainly committed to encouraging manufacturing industry into its area. Peter Lyons would like it to have a single common identity to cover both tourism and industrial development promotion. "We must think up something direct and meaningful and produce better publicity material for targeting overseas companies," says Mr Lyons. "We have to go out there with something to say."

MANAGEMENT

Perks: a new series begins with **John Griffiths** assessing the number one benefit's real value

What price a company car?

The company car still reigns supreme as the most common perk in British industry. According to the largest-ever survey of employee benefits, published this week by the Confederation of British Industry, 98 per cent of companies offer cars to at least some staff.

However, several factors are now combining which could threaten the company car's supremacy. Recession has deepened, unemployment is climbing and, for the first time, employers are having to pay National Insurance contributions on an employee's private use of the company car.

Now there is also the prospect of the personal taxation burden on some car users increasing sharply. More than 200,000 UK executives driving high-specification company cars face steep increases in their income tax bills under proposals from the Inland Revenue, likely to take effect next April.

For a small minority, the rise could be up to 40 per cent in the tax payable on the private benefit of their cars – although the Revenue claims that 1.2m out of a total of 1.9m company car drivers would benefit from the revised structure.

A growing number of companies, particularly in the financial sector, have begun offering a cash alternative to employees' cars. Others have "bought out" their employees' cars and will no longer offer them to new recruits.

A few of the hardest pressed have even begun thinking the unthinkable – simply withdrawing cars, with only partial or even no compensation.

Debate about whether the company car – introduced in the mid-1970s as a "perk" to get round pay freezes – is still worth having has been rumbling increasingly loudly since the late 1980s, as successive Budgets have imposed sharply higher taxation on the company car. Until recession bit hard, however, the debate centred on the benefit or otherwise to the employee, rather than the employer.

However, companies are now starting to look at the fleet from the perspective of potential savings to the company itself.

The considerations involved are not only financial. Against all logic, company cars remain deeply emotive for many of their users at all levels. Entitlement to a car and the hierarchy of company car models – from a junior rep's basic Ford Fiesta to the chairman's Jaguar or Rolls-Royce – increasingly have come to be identified by employees as a talisman of their value to their company and their status within the pecking order.

This culture is deeply entrenched in a country where nearly half of all new car sales are made to corporate buyers.

In all too many cases, company car policy has become a time-consuming affair for boards of directors which, particularly in times of recession, could be better employed in more productive work.

Even where a company could successfully arrive at a fiscally neutral cash-for-car compensation deal, other disincentives can come into play. (As the chart, above, on a range of deals done by nearly 220 companies so far shows, reaching a sensible figure is more likely to be by accident than calculation.)

What monetary value, for example, would most employees privately put on the "no-hassle" aspects of their company cars?

Endless motor trade surveys have shown consistently that most private car buyers loathe the new car purchase ordeal and the trade-in or private disposal haggle even more. What price is to be put, too, on regular maintenance and servicing?

It is considerations such as these which are giving companies such difficulty in deciding whether they should "buy out" company cars, maintain the status quo, or seek better cost-saving alternatives.

National Westminster Bank, which operates one of the UK's largest and most diverse company car fleets of 11,500 vehicles, has decided to retain its fleet but run it it more efficiently.

According to Peter Parkinson, head of Natwest's group vehicle purchasing, the effect of new policies has been profound. In little more than 18 months, Natwest has saved £20m, or nearly £1,750 per vehicle, he says.

Bespoke computer software has been written to help track costs. Purchasing by individual subsidiaries has been ended and, instead, the group's overall buying muscle has been harnessed.

Out has gone the previously entrenched culture of allowing "user-choosers" at all levels to pick their car from an approved list of 29 manufacturers.

Now there is a list of only seven manufacturers and Parkinson and his team, rather than users, specify the model and level of equipment in the cars. The choice is determined not by initial purchase price or discounts but by whole-life costs.

It has scrapped fixed replacement cycles to take advantage of market swings – and auction companies selling Natwest's old cars no longer set the reserves themselves and simply send in the resulting cheque.

Senior managers are having their Granadas replaced by Sierras. More economical diesels, with their stronger resale values, are being introduced progressively.

For more junior managers, two-litre cars are becoming 1.6-litre models. Overall, 94 per cent of the fleet is now chosen by Parkinson and his cohorts.

Parkinson, while admitting that there was a hostile reaction within the company, says it has not reached overwhelming proportions.

Other financial companies, most with a high proportion of "perk" cars – and many of them covering low mileages and thus subject to the highest rates of personal taxation – have decided to end car provision altogether.

JP Morgan replaced its cars with allowances ranging from £4,300 to £6,700 a year, while Bankers Trust has been phasing out its 420 perk cars with cash alternatives of up to £7,480.

Midland Bank has taken yet another route, offering staff a cash alternative of up to £650 a month if they moderate business mileage. Those covering high mileages – above 18,000 a year on businesses – have to use a company car.

For the very highest users, paying an employee mileage can work out more expensive than supplying a car.

Companies may also find themselves having to deal with an image problem if senior staff turn up at clients' premises in "old bangers".

In seeking to arrive at a sensible vehicles policy for his own company, Tony Leigh, facilities manager for the Air Call Communications group, has become convinced that there are no easy formulas for companies to follow in trying to arrive at car policy decisions.

There is no option but for each company to undertake a detailed analysis of its own and employees' positions, he says.

"In recent years," he told a conference recently, "a plethora of computer models have appeared to provide the ultimate solution. Many have been developed by accountants and economists.

"I am tempted to ask whether recent events have shown either to be capable of running a country's economy, let alone something as complicated as a car fleet."

Range of cash alternatives offered by companies in lieu of a car (£ per annum)

Source: Wyatt Consultancy

Model	Jaguar XJ6 4.2	BMW 530 i	BMW 325 i	Ford Granada 2.8 i Ghia	Ford Granada 2.0 i Ghia X Auto	Ford Sapphire 2.0 i Ghia Auto	Vauxhall Cavalier 1.8 GLi Auto	Ford Sierra 1.8 LX	Ford Escort 1.6 LX	Ford Escort 1.3 L
Purchase price	30,000	25,000	22,000	20,000	18,000	16,000	14,000	12,000	10,000	8,000
lower quartile	5,200	5,375	5,290	4,300	3,920	4,328	2,990	2,900	2,240	2,220
Median	7,740	6,900	6,000	5,970	5,207	5,060	4,377	3,817	3,486	3,105
Mean	7,118	6,628	5,626	5,165	4,518	4,328	3,972	3,782	3,284	3,034
Upper quartile	9,450	8,100	7,700	7,300	5,730	5,590	4,623	4,725	4,000	3,655

Never mind the customer, just feel the quality

Ian Hamilton Fazey finds companies introducing TQM schemes for all the wrong reasons

Most large companies in the north of England which have introduced total quality management (TQM) have done so without surveying their customers' reactions and have failed to use their marketing departments to develop their internal TQM plans.

Two-thirds have, however, carried out surveys of their "internal customer" needs, involving the supply of materials, components and services between their own departments or divisions.

The inescapable conclusion drawn by John Whyte and Barry Witcher of Durham University Business School is that much TQM is too internally focused and not concerned enough with what customers want – the very opposite of what quality programmes are supposed to be about.

"We believe TQM ideally starts with the external customer – and if it does not, then the customer quickly becomes the focus of the TQM effect. Only then does TQM provide real total customer satisfaction," they say.

Quality, they add, means meeting customer requirements exactly. Management's role is to act as an enabler, creating the conditions under which total quality can be sustained. This means commitment from the top to a holistic approach, breaking down any tendency to divide a business into separate compartments.

Whyte and Witcher have just published a preliminary paper on a recent survey they carried out among 235 companies with more than 300 employees, each in northern England. It follows a similar study they carried out for the Scottish Development Agency two years ago.

Comparison of the two surveys, however, shows a marked deepening of understanding of TQM over time. The Scottish survey was carried out when TQM ideas were in their infancy; Whyte and Witcher say there is a better grasp of principles now, possibly because TQM consultants have become more experienced.

They were, however, surprised by most companies' failure to involve their own marketing specialists in developing their plans. Only 8 per cent did so, in spite of the knowledge of customers, markets and research which the marketing specialists ought to have had.

Telling figures in the survey are that only 59 per cent of companies said TQM involved all departments, only 43 per cent involved more than 90 per cent of the workforce, while training took less than three days for 41 per cent and less than a week for another 32 per cent.

Inconsistency was also apparent: although 84 per cent of companies said they trained for quality improvement and 80 per cent planned for it, somewhat fewer – 74 per cent of companies – monitored and measured it, and only 61 per cent set targets to achieve it.

Yet the stakes are high: of the 62 per cent which said they measured the cost of not meeting quality standards, four-fifths estimated this as worth up to 20 per cent of their turnover.

Most had TQM steering groups, but only 29 per cent involved supervisors in them, 21 per cent front line operators and 12 per cent union representatives. On achieving quality standards, only 46 per cent had reached BS5750 Part 2, although another 33 per cent had reached the standard's Part 1 level.

Factors impeding TQM were entrenched attitudes, lack of time or resources and lack of understanding. The main benefits were ranked as improved performance, better attitudes and customer satisfaction.

In their own defence, some companies told Whyte and Witcher they were using TQM to put their own houses in order before risking it on their customers.

Ominously, however, the researchers warn that TQM has to deliver. If it produces diminishing returns, senior managers might weaken their commitment and look for "another management fashion" to make an impact.

The Adoption of Total Quality Management in northern England. Centre for Quality & Organisation Change, Durham University Business School, Durham DH1 3LB. Price £25.

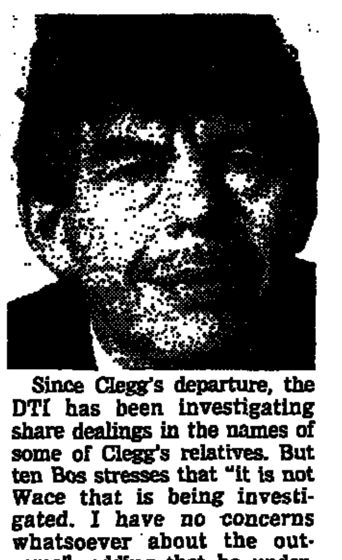
PEOPLE

Grice leaves Dales for Wace

Wace, the pre-press and specialist printing group rocked by the departure of its managing director John Clegg in January, has, after an eight-month search, found a new chief executive in Trevor Grice, who resigned from engineering group Renold earlier this year.

Frans ten Bos, chairman, describes it as a "critical" appointment for Wace. "It was hard for the City and others to perceive Wace without John Clegg. John Clegg was a high profile young star." Grice, by contrast, is "someone with different skills and attitudes in a different economic climate. He is very sparky and shrewd."

Ten Bos, who was non-executive chairman when Clegg resigned and "had no option but to agree to fill in (by taking executive responsibilities) while the company tried to sort itself out" will return to his non-executive position when Grice comes aboard in the second week of November.



Since Clegg's departure, the DTI has been investigating share dealings in the names of some of Clegg's relatives. But ten Bos stresses that "it is not Wace that is being investigated. I have no concerns whatsoever about the outcome", adding that he understands the investigation is coming to an end. Echoing ten Bos's confidence, Grice contends: "It is nothing to do with the company; I don't regard it as an issue."

Grice, 51, has 14 years' experience of the printing industry under his belt with lithographic plate-maker Frank Horsell, where he was managing director between 1978 and 1986. After Horsell was acquired by the Cookson Group, Grice moved over to Renold, embarking on a five-year plus restructuring exercise. Despite recent losses stemming from an order book badly dented by the recession, Grice was confident he had completed his brief and stepped down from Renold at the end of March - thereby ridding himself of a 140-mile commute across the Pennines.

He has spent the intervening period on a management consultancy project for his family telephone sales business. He says he was not actively looking for another job when he was approached by Wace. After his wife agreed to move to London from the Yorkshire Dales, he accepted the assignment.

Finance moves

- **Roger Hunt**, formerly marketing director at Prudential corporate pensions, has been appointed director of marketing at AMP ASSET MANAGEMENT.
- **Michael Kennedy**, formerly chief executive, has become chairman of MARTIN CURRIE, following the retirement of David Skineer. Kennedy is also a director of Scottish Life Assurance and Securities Trust of Scotland.
- **Graham Keniston-Cooper** has been appointed a director of CINVen; he moves from Kingfisher.

Hutchinson quits Nationwide

The sudden departure of John Hutchinson as corporate strategy director at Nationwide Building Society is a fresh reminder of the shaky state of affairs at the country's second largest building society. Hutchinson, a widely admired retail banking specialist, joined Nationwide from Lloyds Bank three years ago. "Have they got the right man?" murmured some building society chiefs gathered at a conference in London yesterday when the news leaked out.

The whisper in the industry is that Hutchinson was found to be too aggressive by the other men at the top of Nationwide. "John's departure is a clash between building society and banking cultures inside Nationwide," one specialist said yesterday. The society itself refused to comment on the reasons why Hutchinson has gone or to say how much compensation he has been paid. Given his star billing in the retail banking world, it can be confidently predicted that he will reappear before long; some in Lombard Street do not rule out the possibility of a return to Lloyds Bank.

Wyatt: customer-driven at Bull

Carol Wyatt has been appointed director of product operations for Bull UK, the British subsidiary of the French computer manufacturer.

Wyatt's appointment – it is a newly created position and she takes charge of a new organisation – reflects a growing conviction among computer manufacturers that they should be listening to what their customers want rather than offering them what technology can provide.

She will oversee the strategic development and restructuring of the company's product marketing, ensuring that customer requirements are effectively relayed to product development staff. Wyatt will have charge of over 100 product consultants with sales, marketing and technical expertise.

Wyatt, now 35, started as a secretary with Texas Instruments, and moved to sales of personal computers and printers before transferring to Bull – and some sales management jobs – in 1983: "It was a challenge," she says dryly of her unorthodox career.

She seems to relish challenges. Her successes include leading the Bull team which won the 1990 contract for the Inland Revenue's "terminal of the nineties" system.

Non-executive directors

- **Richard Hills**, a director of Abtrust Fund Managers, at CASPEN OIL.
- **Simon Brooks**, chairman of Brooks Service Group and of the Clifton Suspension Bridge Trust, and **Alec Davidson**, deputy md of Northcliffe Newspapers, at BRISTOL EVENING POST.
- **Michael Windsor**, chairman of Horstmann Group and Serck Controls, and as chairman of BARRY WEHMILLER INTERNATIONAL, where he is currently deputy chairman, on the retirement in December of Nigel McLean.
- **Simon Miller**, chairman of Ferrum Holding which has relocated to Edinburgh, has resigned from GREENWICH RESOURCES.

- **Tony Linehan** (above), former chief inspector of factories, and director of field operations of Health & Safety Executive, at Hinton & Higgs, part of WILLIS CORROON GROUP.
- **Mark Farrer**, a partner in Messrs Farrer & Co, and until July this year chairman of the Association of Lloyd's Members, a director of Lyonnaise UK and formerly deputy chairman of ESSEX AND SUFFOLK WATER, as chairman, following the retirement of Admiral Sir Andrew Lewis.
- **Sir Derek Bradbeer**, chairman of the governors of the College of Law and a director of the Newcastle and Gateshead Water Company since 1978, as chairman of NORTH EAST WATER, succeeding Lord Elliott of Morpeth who remains vice-chairman of Lyonnaise UK.
- **Robert Stiby** and **Richard Morris** are leaving SOUTHERN RADIO.
- **Tony Orton**, recently retired from and a consultant to Marks and Spencer, at ASHLEY GROUP.

Bronwen Maddox explains why Britain's carbon dioxide emissions are lower than previously forecast

A big loss of energy

Economic recession and the decline of the British coal industry are some of the most effective ways of combating global warming. Those are two of the messages tucked away in the UK government's latest models of how much carbon dioxide the country will pour into the atmosphere in the next three decades.

According to Energy Paper 59*, published last week, the UK will emit around 10 per cent less carbon dioxide, one of the main greenhouse gases, than was feared two years earlier in Energy Paper 58. On its most cautious projections, the UK is on course to bring carbon dioxide emissions back to 1990 levels by the year 2000, in line with international targets.

That alone is not news: projections showing that future emissions could be much lower than was once feared began to trickle out last December. But the new report spells out for the first time the reasons for the new, lower numbers.

It also sheds light on the future of the UK energy industry, casts doubt on some of the government's favourite environmental boasts and shows that transport is one of the toughest remaining environmental obstacles.

Most greenhouse gas emissions come from the use of energy. The model takes the two factors which have the biggest impact on the UK's demand for energy – fossil fuel prices and GDP growth – and plots different combinations of them, adding in non-energy sources of greenhouse gases at the end. The calculations reveal several main reasons for the new, lower forecasts.

- **Recession.** Although the central scenario is the same in both models – annual GDP growth of 2.25 per cent – the high growth path now assumes 2.75 per cent, not 3.25.
- **Changes in the structure of the economy.** The decline of the energy sector from 9 per cent of GDP in 1990 to 4 per cent in 2020, and the decline of energy-intensive parts of manufacturing such as bulk chemicals. Service industries, which use relatively little energy, are expected to rise from 50 per cent of GDP in 1990 to 54 per cent in 2020.
- **Changes in methods of electricity generation.** In 1990, coal-fired power stations produced 68 per cent of the UK's electricity and nuclear 21 per cent. Since then some have been closed, and other closures announced.

By 2020 the new model suggests that coal's share of electricity generation will have fallen to 27 per cent and nuclear to 2 per cent, on the assumption that no new nuclear stations are built after Sizewell B. Gas, which produces lower carbon emissions, may then have a 57 per cent share.

The radical revision of the numbers, within two years, is a lesson about the crudeness of some of the models which are the basis for wide-ranging and costly international directives.

It also raises a few sceptical questions about the government's proud adoption last summer of the year 2000 as the target for stabilising carbon dioxide emissions at the 1990 level of 160m tonnes, rather than its previous target of 2005.

Energy Paper 59 suggests that economic slowdown and structural changes have made the target of the year 2000 much more accessible than was previously thought. On the other hand forecasts of emissions in 2005 – between 166m and 201m tonnes of carbon – still look disturbingly high.

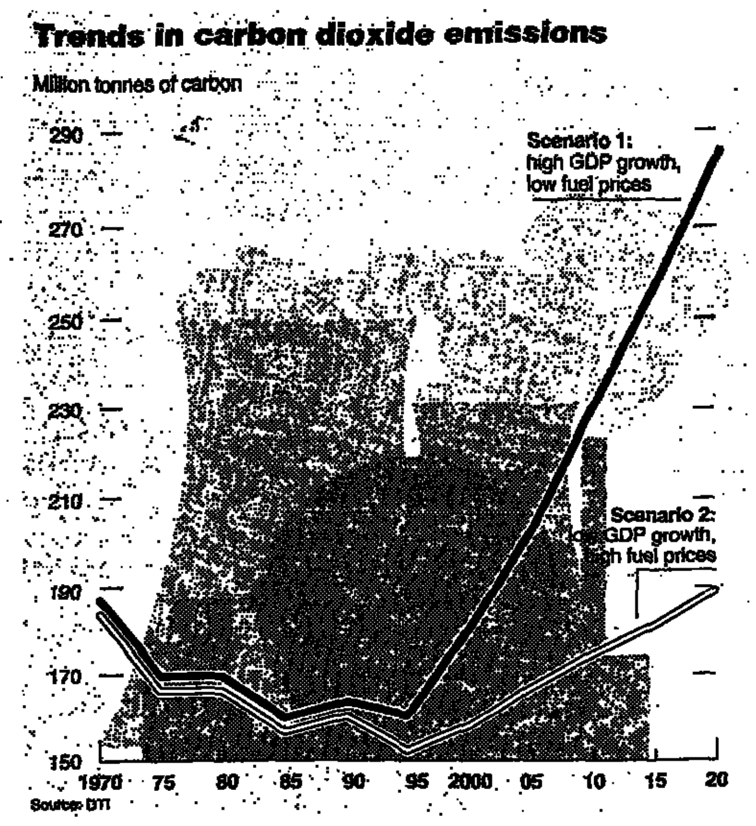
It is those longer-term projections which still give cause for worry. Falling energy prices, which push up demand for energy, are a principal concern, as the report acknowledges. One of the messages of the recent World Energy Congress in Madrid was that prices are unlikely to rise as shortages are not imminent.

Carbon taxes have been proposed internationally as a solution. However, the report makes clear that this may not solve the problems of transport and households – together they produce 47 per cent of carbon dioxide emissions and their demand for energy is the least responsive to a hike in prices. The model shows transport overtaking industry as the largest single polluter by 2000.

This weekend the Department of the Environment (DoE) launches a three-year £10m campaign to encourage households to lag water tanks and turn off lights.

Transport will be tougher – the DoE has already made clear that controversial initiatives such as road pricing must wait for studies from the Department of Transport, which are unlikely to be completed for another year.

Trends in carbon dioxide emissions



Source: DTI

**Energy-related carbon emissions in possible future scenarios for the United Kingdom. Department of Trade and Industry, HMSO £9.95.*

Eco-tourism gets a collective voice

By Nancy Dunne

There may not yet be a television promotion inviting holiday-makers to "Come on down" to the Brazilian rain forest or the Rwandan gorilla park, but one may not be far off. The travel and tourism industry is reaping the benefits of environmental awareness, aided and abetted by the World Travel and Tourism Council (WTTC).

The Brussels-based organisation, formed by 50 of the world's chief executive officers to influence government decision-making at the highest levels, is now formulating a "coherent compelling environment message".

It also has a messenger: Geoffrey Lipman, the council president, who was plucked from an aviation consultancy firm to promote the industry. Last week, speaking in Washington, he said eco-tourism is emerging as a rapidly growing segment of the travel and tourism industry, which in itself is one of the fastest-growing industries in the world. This year it is expected to generate more than $3,000bn (£1,600bn) worldwide in gross output or sales. Eco-tourism is attractive for the young, who are particularly worried about inheriting a despoiled Earth; the growing number of environmentally-conscious travellers; and also for vacationers bored with beaches and resorts.

Geoffrey Lipman: WTTC president

In the US alone, the market potential for eco-tourism is considerable. According to Donald Hawkins, a professor at George Washington University, the most popular special interest tours are related to nature-oriented outdoor activities. Between 4m-6m Americans travel overseas each year for nature-related trips. About 30m Americans in the US belong to environmental organisations and 80m Americans call themselves bird watchers.

The travel and tourist industry itself is striving for environmentally compatible growth, Lipman said. Hotels are adopting sound energy management, car hire companies are switching to lead-free petrol and airlines are buying more fuel-efficient aircraft.

The WTTC has established a new World Travel & Tourism Environmental Research Centre in Oxford to establish a database of environmental policies and programmes, and to become "a catalyst for responsible policies".

Lipman also promotes "rural tourism" in the EC as a substitute for inefficient agriculture. He is annoyed that the Community has allocated less than $10m a year to promote the concept.

"I'm not just thinking of bed and breakfast on farms, although that is no bad starting point," he said. "I'm thinking of theme holidays, nature trails, health holidays, rambling trips and so on."

But first the farmers must be convinced of the economic future in "nature tourism" because it will require infrastructure, investment, education and promotion.

Lipman is also pushing eco-tourism where it has a "competitive advantage in scenery or wildlife". It could become "a major source of income and potential for economic development" in third world countries with nothing much else to sell beyond increased exploitation of their natural resources.

He envisions the creation of a Pan African fund to market the continent as a whole and allow individual countries "to piggy-back" their own programmes.

Lipman is something of an idealist – he left a good job as chief of staff for the International Air Transport Association to set up an organisation to represent passengers. But he admits, he has not yet changed his own environmental habits. "I'm Mr Average," he said. "I think recycling is the right thing. I sometimes do it. I don't do it enough. If I'm to be a better person I should do it more."

Confusion still clouds dioxin debate

Dioxins might be the world's most toxic poisons, but scientists are still unsure of precisely how dangerous they are to humans. The poisons – a large family of related substances – are produced in minute quantities as a by-product of industrial activity in which chlorine is involved. Typical sources are wood-pulp processing, herbicide manufacture and waste incineration.

Dioxins are emitted with other waste products and ingested by animals and absorbed by plants. Humans take in dioxins when they eat meat, fish and milk products. Early research showed that dioxins could cause cancer. Now some scientists suspect that the poisons can have a detrimental effect on the immune system and can retard physical and mental development in children.

The lack of knowledge has direct effects on some businesses. European incinerator operators, for example, will soon have to make big – and they say expensive – reductions in their permitted dioxin emissions.

Dioxins first came to public attention when they were found to be a contaminant in a defoliant called Agent Orange, used by the US during the Vietnam war. Some people who came into contact with the defoliant developed a skin condition called chlorachne, but there was no conclusive evidence that dioxins killed people.

Nevertheless, scientific concern about the poison led to the evacuation of an entire community in Times Beach, Missouri after dioxins were found in a chemical waste dump nearby.

More recently the Dutch authorities banned the sale of milk from cows that were grazing near a waste incinerator. And this year the UK government stopped the sale of milk from two farms in Derbyshire when high levels of dioxins were discovered in animals, milk and plants near an industrial plant.

The World Health Authority in 1990 revised the safe levels for human consumption upwards to 0.01 nanograms per kilogram body weight per day. The level was increased after a panel of leading scientists decided that dioxins provided less of a threat to human health than at first thought. Last year a US report described the danger from dioxins as no more harmful that a week of sunbathing.

But the US government is now in the process of revising the official view and it looks likely that dioxins soon will be back on the extreme danger list. The chlorine industry has been lobbying hard on both sides of the Atlantic to prevent stricter regulations.

A review of global research into dioxins – by the Industry-funded European Chemical Industry Ecology and Toxicology Centre – is due to be published this month. According to Peter Jones, a scientist who worked on the report: "I think the dioxin issue has been overblown but I am not saying that it is unimportant. Some concern is certainly due, but not paranoia," he says.

But environmental campaigners are concerned about the increase in the number of incinerators and the continuing use of processes and chemicals that create dioxins.

"There are some powerful vested interests that are trying to cloud the issue," says Rebecca Rees of the Women's Environmental Network. "The most recent findings indicate that there is no tolerable level of dioxins for humans, even one molecule can trigger an effect in the body. In the long term we are looking for a phase-out of the chlorine industry," she says.

Peter Knight

Theatre

Three Shouts from a Hill

During the 1930s, Sean O'Casey wrote three one-act farces, or as Shakespeare said, "tedious-brief" scenes of "tragical mirth". The three have been gathered by the O'Casey Theater Company, and are touring as *Three Shouts from a Hill*. The Lilian Baylis Theatre offers a plain setting for the traditional, realistic sets which O'Casey favoured. The acting is lively and precise and Shivaun O'Casey's direction well paced. But it takes a singular view of laughter to smile at any of this. Nor is it the fault of play or players, merely the genre.

The idea of farce here is Henri Bergson's: that the comic in life emanated from human lack of control over self or surroundings. Thus the banana skin, and thus Samuel Beckett's best Irish banana joke in *Krapp's Last Tape*. When Beckett saw these plays, he applauded "the triumph of the principle of knockabout".

The first, *The End of the Beginning* is piece of light rural hilarity about Darry and his wife Lizzie. They reverse roles. She mows the meadow while he tackles the domestic chores. Darry sets to, but his brother appears, distracts him, and things get out of control. Crockery smashes, lights fuse, oil leaks, and a heifer is tethered to a precarious slope by means of a rope down the chimney and lashed to a chair. This farce knows how to waste time and shows other people wasting it, frittering away their lives by the minute.

Much better is the second piece, *A Pound on Demand*, a short sketch set in a Pimlico Post Office. This amounts to a one-line joke teased into a thirty-minute scene of excruciating delay. Two Irishmen, one drunk, lurch into this Post Office and ask for "A Pound on demand" from their savings account. But the drawer is too drunk to sign his own name, and spends the entire scene trying to write. O'Casey's *sense that drunks hold* bystanders universally responsible for institutional rules is sharp and accurate. The Post Office staff, customers, and an *inevitable policeman* compound the situation.

Bedtime Story lies pillowed in the arms of Catholic guilt about sex. The boarding-house or bachelor flat is familiar O'Casey territory. Johnjo Mulligan, a clerk, meets Angela Nightingale, a gay lass; Daniel Halibut, clerk and friend to Johnjo, and Miss Mossie, the lodging house keeper, look on. A policeman and nurse wait in the wings.

The plot moves forward predictably. After their bedroom assignation, Angela works on Johnjo's sexual guilt, claims she has lost her handbag, and waltzes off into the night with his money, coat and umbrella. The distraught Johnjo pursues, but Halibut and Mossie think he's sleepwalking, and summon the authorities. This is never more than mildly amusing, nor meant to be, but does cast up some funny lines: "This isn't disarray, Mr Halibut, it's an upheaval."

Andrew St George

Lilian Baylis Theatre until October 17; then Glasgow, Belfast, New York and Philadelphia.

Television/**Christopher Dunkley**

In search of the individual voice

Here we are at the start of television's autumn season when the clocks go back, the weather turns colder and the broadcasters bring out their choicest wares. The viewers are back from holiday, the evenings are too dark for gardening, and ratings consequently shoot up. That, anyway, is what we have always been told, and in the past there has been much truth in it. But for those of us returning to Britain at the start of the 1992 autumn season matters look rather different.

Perhaps this year the broadcasters' sights have been moved. Maybe they are so preoccupied with the revolution in commercial broadcasting due to begin in January 1993 that they can scarcely bring themselves to concentrate on the here and now. There are, of course, new series but these days, with four terrestrial channels running day and night, there is nothing unusual about that. The most striking aspect of so many of the series that have started in the past few days is not that they seem so different or fresh, but that they seem so terribly familiar.

Viewers who were relieved when the lacklustre *Wogan* show was finally removed from the early evening may be baffled and even appalled to find *Terry Wogan's Friday Night* now turning up at 10.25. Ah, but had we not noticed the dramatic differences? The only noticeable differences last Friday were that instead of sitting in armchairs and being sycophantically polite while hyping their latest disc or movie, the "guests" sat at a table and Edwina Currie shouted at Max Clifford. We consequently learned nothing about Clifford (said to be responsible for such tabloid scoops as Mellor and the actress and "Freddie Starr Ate My Hamster") but this incident will probably be seen by the producers as "good television".

The most striking concentration of derivative material occurs on Saturday evening. The new autumn schedule includes *Gladiators* on ITV, a British copy of the series described here last autumn as "a po-faced American version of *It's A Knockout*". BBC2 offers *The Brain Drain* with a billing that declares "Jimmy Mulville and a panel of comedians continue the eternal search for answers to questions such as 'Is there a god?' and 'Why am I here?'" They are there because the biggest comedy success of the last year or so has been *Have I Got News For You*, and everyone is now determinedly copying it, not least Hat Trick Productions, the independent company responsible for both these series.

Most derivative of all is *Dame Edna's Neighbourhood Watch* on ITV. Barry Humphries' astounding dame presides over a "game" in which a hapless woman has to watch a video of her own house being examined – bread kept under the sink, extensive scuff marks on the walls behind the bedposts, and so on – and listen to Edna's commentary: "You adorable and slightly grubby woman, I mean that in a nurturing way..." There are reminders here of several other "embarrassment" series including *Beadle's About*, *Through The Keyhole* and *Surprise Surprise* but, as with Edison's light bulb, though the idea may not be original this looks like the perfect development of the genre for those who like such stuff.

As ever it would be unfair to imply that there has been nothing worth watching. Tony Parsons' polemic "The Tattooed Jungle", directed against the pot-bellied Nike-shod lager louts of today's working classes, in Channel 4's *Without Walls*, was one of the most

Vitriolic polemic: Tony Parsons, outspoken in The Tattooed Jungle

vivid and vitriolic expressions of personal opinion ever screened. It was all the more powerful for being directed, in Parsons' own impeccably working class accents, against one of the most untouchable of the medium's sacred cows. No doubt Parsons is wrong in believing that most British workers ever were the paragons of grace, decency and wit that his rose tinted spectacles suggest, and no doubt today there are numerous exceptions to the mindless yobs he deplores. But after all the years of fond idealisation of the working classes on television, especially in drama, this was a long overdue backlash.

With all the cynicism about the American presidential election and the way in which the mass media supposedly cheapen the electoral process, it was also peculiarly heartening to watch, on BBC2 late on Sunday night, the first three-way debate between Bush, Clinton and Perot. Maybe it was not the most profound political discussion ever televised, but at least the American candidates, unlike their British counterparts, do face each other on television, do address the issues, do talk about broad political principles, and are held strictly to time limits.

Nobody would pretend, however, that this was one of the big events of Britain's television week. What were they? If you judge by attention given in the other mass media they must have included the appearance of a Jesus Christ puppet on *Spitting Image* and the first showing of the new Madonna video, *Erotica* by Channel 4. Given that *Spitting Image* has regularly featured a puppet of God in the past it seems odd to get excited now about a puppet of his son, and anyway the sketch in question was anodyne when compared to – say – Salman Rushdie's material concerning equally sacred figures in *The Satanic Verses*.

As for the Madonna video, first of all the woman deserves three cheers for the open enjoyment that she brings to matters sexual. The contrast between her relish and the obscurantism and hypocrisy which usually surround the subject on television, and elsewhere, is striking. Feminism clearly has its uses since no man would be allowed to perform material as explicit as this. That said, this video, like her previous one, would be more attractive if it were less brutal and more subtle. Moreover it is surely time to break away from the machine-gun editing which seems to have become mandatory in the video world; viewers will not fall asleep if a shot is held for more than two seconds.

Most important of all, it seems clear that, however slick the marketing, Madonna's songs and videos are powerful expressions of her own individuality, an increasingly unusual phenomenon in the modern world of pop with its corporate packaging machinery. And not only in pop. It is the individual voice which seems so rare, whatever category of programmes you choose, in this autumn season. True, there are whole swathes of material – drama and documentary for example – not touched on in this column, and we shall be coming back to them. Yet here too there seems precious little so far of striking individual merit.

The irony is that even as television becomes more and more formulaic so more and more attention is lavished upon it. The process by which the mass media feed upon themselves is a little like "howl round", that awful technical phenomenon in which a microphone picks up some of its own amplified noise and feeds it back into the system to produce an intensifying screech which goes round and round and reaches a crescendo which is unbearable to the ears. With this now occurring so often the danger is that the only individual voices remaining audible will be those that are backed and amplified by Madonna-style promotion machines, a process which is itself nearly always destructive in the end. Will the quieter individual voice be noticeable at all in the television of the nineties? We shall see.

Germany at last discovers Martinu

Andrew Clark reviews 'Julietta' and 'The Greek Passion'

At long last, German opera houses are discovering Martinu. Bielefeld opened the new season with *Julietta*. Mainz chose *The Greek Passion*, a timely parable of Germany's refugee dilemma. Next month Mannheim will stage *Comedy on the Bridge*.

Germany may have come a long way from the cultural chauvinism of the interwar years, but there is still a strong element of condescension towards Czech music – one reason why Martinu's operas have until now been almost completely ignored. Unlike Janáček, who is steadily winning acceptance as a repertory composer, Martinu had no Max Brod to translate and promote his stage works. Nor does his music conform to the German idea of structure or thematic development.

Martinu's attractions lie elsewhere – as the Bielefeld and Mainz productions have underlined. Although separated by more than 20 years in date of composition, *Julietta* and *The Greek Passion* are very much from the same stable. Both are complex in harmony and texture, with idiosyncratic solos for accordion and piano. Both demonstrate Martinu's willingness to declare his debts without compromising his own distinctive musical personality – as in the opening *Daphnis*-like mirage and Czech pastoral moods of *Julietta*, or the explosive treatment of Orthodox chorale in *The Greek Passion*.

The similarities extend to subject-matter: both operas reflect Martinu's life-long preoccupation with the relationship between reality and fiction. In *Julietta*, based on Georges Neveux's surrealist play, the central character Michel returns to a French coastal village in search of a girl whose voice captivated him years before. He finds himself in a world where no-one has a memory, sees his own grasp of reality growing less sure and ends up seeking comfort from the Kafka-esque Central Office of Dreams. In *The Greek Passion*, which Martinu sculpted from a novel by Nikos Kazantzakis, villagers confronted by a group of refugees act out in the biblical parts they have been allotted for their Passion Play. Hearing the two operas within a few days of each other (and with the Lyon production of *Three Wishes* still fresh in the memory), one notices how all Martinu's main characters become captives of their roles.

The Bielefeld *Julietta* was designed and directed by John Dew, who is at his best in his home theatre. The action took place on a V-shaped, crayon-coloured set, which went through a 360-degree turn in the course of the evening – an apt metaphor for the plot's mysterious *déjà vu* circle. The characters wore stylised 1930s costumes, but the modern travel-agent associations of the Central Office of Dreams were suggested by a soul-less computer-desk. There was some humour – particularly from Ion Bric and Michael Vier as the Old Man and Woman – but the stage performance was more worthy than inspired.

Richard Decker's tall young Michel seemed to be feeling his way into the role, an arduous one which keeps him on stage virtually the whole evening. As the elusive Julietta, whose brief contributions provide the opera's most memorable music, Claudia Taha sang better than she looked – appropriately so for a character who can be heard more often than seen. The production's chief asset was the orchestral playing under Geoffrey Moull. Dynamics, rhythm and texture were expertly judged, pointing up the many deft touches in Martinu's restless, underwhelming score.

The Greek Passion at the Mainz State Theatre was both a revelation and an event of heartwarming consolation – that rare occurrence when one's own stubborn belief in a work is totally and utterly vindicated by a performance beyond one's dreams. Here was not the awkward stage oratorio of repute, nor the episodic quality which characterises *Julietta*. Instead, *The Greek Passion* emerged as a fully-fledged music drama, a concise and moving masterwork in which Martinu crowns his search for the humanity in man.

A scene from Mainz's landmark production of Martinu's opera 'The Greek Passion', with Robert Ciesla as Monolios

Much of the credit goes to the excellent Mainz orchestra (well-remembered from last season's *Gloriana*) and its conductor, Peter Erckens, who made the most of Martinu's biting, richly-contrasted colours and exultant chorus music. The opera benefited from being played without a break. Heidrun Schmelzer's set amounted to little more than an open space shaped like a Crucifix, one of several subtle references to the work's Christian symbolism. Peter Brenner's staging grew out of the music and made sense of it, with dignified central performances and well-grouped, disturbingly familiar refugee scenes.

Robert Ciesla was a Manolios of almost saintly conviction. Elaine Woods captured the moral frailty and virtue in Katerina, the opera's Mary Magdalene-figure. As the two priests, Friedemann Kunder (Grigoris) and Hannu Niemelä (Fotis) offered rounded personalities. The smaller parts were all convincingly sung. If ever there was a landmark production capable of revealing an opera's true merit, this was it.

Concerts

'The Kingdom' and a trio with promise

Although Columbus dominated radio and television at the weekend, the BBC also found time for a small festival that set sail in quite another direction. In Birmingham the BBC orchestras came together over four days to present a series of concerts featuring the music of Elgar.

Most of what they played was the best-known Elgar, the exception being *The Kingdom*. The oratorio had its premiere in Birmingham in 1906 and it sounded resplendent in the Radio 3 broadcast on Saturday from the city's new Symphony Hall and the BBC forces came to London's Royal Festival Hall to give a repeat performance of on Monday.

Of Elgar's three major oratorios, *The Kingdom* was the last. Its maturity shows: the choral writing is surer, there is greater expertise in the handling of large-scale movements. While the music does not confront the great issues of life and death or good and evil, like *The Dream of Gerontius* and *The Apostles*, the work does exhibit the virtue of a more consistent standard.

Its strengths, of pacing and architecture, were well realised by Andrew Davis. We cannot now hear what Elgar himself, the young Boult and Barbirolli would have made of the music, although we can guess at their spontaneity and generous emotion. Davis is cooler at heart; his performance had a simple dignity.

As is coming to look typical of Davis's time at the BBC Symphony Orchestra, the music was scrupulously prepared. The detail in the orchestral part was clear and articulate. The choral singing from the BBC Singers, the BBC Symphony Chorus and (in Birmingham only) the Worcester Festival Chorus was a good deal above what one usually encounters in this work.

In Birmingham the beautifully delicate soprano soloist was Joan Rodgers; in London her place was taken by the more fully lyric soprano of Pamela Coburn. David Wilson-Johnson aimed to inject the right visionary fervour into the bass Peter's scenes, with Christine Cairns and Laurence Dale giving support as mezzo and tenor. Ideally, however, the music demands four solo singers with either more power or presence, or both.

Richard Fairman

There was a packed Queen Elizabeth Hall for the Sunday afternoon recital by the trio of Joshua Bell (violin), Steven Isserlis (cello) and Olli Mustonen (piano) – with a pleasing number of parents and children in the audience. Chamber music of this sort, given by three exceptionally talented young instrumentalists who are also engagingly fresh platform figures (each in his own version of the schoolboy-scruff shirt and tie), presents an unstuffy, welcoming impression – which is all to the good.

Whether, on the other hand, these performances of Schumann's *Phantasiestücke* and D minor Trio and the great Schubert E flat Trio can be counted genuine chamber music at all is a curmudgeonly question which haunted the concert like Carabosse at Aurora's christening. Three such distinct musical presences – the admirably straightforward Bell, the rapturous Isserlis, the mercurial Mustonen – could indeed be forged into an inspired ensemble, with repeated experience and regular applications of effort; but on this evidence, the process simply has not begun to happen.

What we heard in all three works were three strongly individual approaches to the music, amicably and often vigorously confronted. The "conversational" arts of the medium – the immediate responsiveness of one player to the nuances of another, the sense of deep and long-range command of the movements – remained out of reach.

In both Schumann works there was a great deal of "feeling" on show with lingering in soft passages and frenzy in loud. More variety of expressive approach marked the Schubert, and individual contributions were often beautifully eloquent. Altogether, though, the concert was an indication of chamber-musical promise, not fulfilment.

Max Loppert

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in works by Ketting, Diepenbrock and Stravinsky (also tomorrow and Sun afternoon). Fri: Peter Gulke conducts Hague Philharmonic in works by Schubert and Saint-Saëns. Sat afternoon: Edo de Waart conducts Mahler's Fifth Symphony. Sat evening: Edita Gruberova sings opera arias. Sun evening: Alfred Brendel. Next Wed: Julian Bream (6718 345)

Beurs van Berlage 20.15 Howard Shelley conducts Netherlands Chamber Orchestra in works by Elgar, Britten, Walton, Malcolm Arnold and Mozart. Tomorrow: Reinbert de Leeuw conducts Royal Conservatory Symphony Orchestra in works by Busoni, Mahler and Shostakovich (6270 466)

Muziektheater 20.15 Dutch National Ballet in Peter Wright's production of Sleeping Beauty (runs till Nov 3 with next performances on Fri and Sun afternoon). Tomorrow and Sat: Offenbach's Les brigands (6255 455)

■ COLOGNE

Philharmonie 20.00 Jirí Belohlavek conducts Czech Philharmonic Orchestra in works by Mahler and Dvořák. Sun: Harnoncourt conducts Chamber Orchestra of Europe. Mon: Keith Jarrett. Tues: Alfred Brendel. Next Wed: Frans Brüggen conducts Orchestra of 18th Century. Next Sat: an evening with Peter Ustinov. Oct 25, 26, 27: Lutoslawski conducts Lutoslawski. Oct 28: Russian National Orchestra (2801)

Opernhaus 19.30 Rossini double bill, also Fri, Sun and next Tues. Tomorrow and Sat: Tanzforum production choreographed by Jochen Ulrich. Mon: Carmen with Kathleen Kuhlmann (221 8400)

■ FLORENCE

Teatro Communale 21.00 Alessandro Pinzauti conducts an orchestral concert featuring Beethoven's Third Piano Concerto (Maria Joao Pires) and Mendelssohn's Scottish Symphony, repeated tomorrow. Next week: Sylvain Cambreling conducts works by Stravinsky, Berg and Mozart (277 9236)

■ FRANKFURT

CONCERTS

Tonight's concert at the Alte Oper is given by the Chamber Orchestra of Europe conducted by Nikolaus Harnoncourt, and features works by Haydn, Beethoven and Schumann. Sun: Ferdinand Leitner conducts Haydn and Bruckner. Next Wed: Justus Frantz piano recital. Oct 26: Golden Gate Quartet (1340 400)

OPERA

On Fri and Sun at the Opernhaus, Steven Sloane conducts a revival of Alfred Kirchner's production of Un ballo in maschera. Sat: Il barbiere di Siviglia. Oct 31: new production of Die Fledermaus (236061)

THEATRE

Tonight's performance at the Schauspielhaus is Shakespeare's Merchant of Venice. Sun: first night of new production of Arthur Schnitzler's Das Weite Land (Undiscovered Country, 1911) directed by Jürgen Gosch (2123 7444). Frankfurt's English Theatre has Peter Nichols' comedy Passion Play, daily except Mon till Nov 7 (2423 1620)

■ GENEVA

Grand Théâtre Thomas Hampson gives a song recital tonight at 20.00. A ballet double-bill, featuring a new work by Paul Ribeiro, can be seen tomorrow, Fri, Sat and Sun. The next opera production is Die Frau ohne Schatten, opening on Nov 8 (311 2311)

Victoria Hall Tonight's concert by the Orchestre de la Suisse Romande is conducted by Günther Herbig, and consists of Mozart's Piano Concerto No 24 (Christian Zacharias) and Beethoven's Third Symphony. Oct 25: Theodor Guschlbauer conducts works by Schumann, Chopin, Roussel and Ravel (311 2511)

Théâtre de Carouge A revival of Monique Lachère's play Raspoutine runs from Sat till next Fri, except Mon (343 4343)

Jazz Festival Geneva's first jazz festival takes place from Oct 27 to 31 at Plainpalais. Artists include Nina Simone Trio, John McLaughlin, Joe Henderson Trio and Lionel Hampton and His Golden Men.

■ HAMBURG

OPERA/DANCE

A new production of Die Walküre, opens at the Staatsoper on Oct 25. Tomorrow's performance is Le nozze di Figaro. Fri and Sat: Requiem, John Neumeier's Mozart ballet. Sun: Der Rosenkavalier with Lucia Popp. Next Mon, Tues and Sat: Neumeier's Prokofiev ballet A Cinderella Story (351721)

THEATRE

A new production of King Lear, opens at Thalia Theater on Sat. The next premiere is Ariel Dorfman's Death and the Maiden on Oct 31 (322666). A new production of Shaw's Heartbreak House, opens at the Deutsches Schauspielhaus on Oct 24. The current repertory includes Arthur Miller's Death of a Salesman, Lessing's Emilia Galotti and Maxim Gorki's Vassa Shelesnova (248713)

■ NEW YORK

THEATRE

- The Madame MacAdam Travelling Theater: Irish Repertory Theatre Company presents Thomas Kilroy's comedy about the antics of a vagabond English theatrical troupe in a small Irish town. Now in previews, opens on Sun (Actors' Playhouse, 100 Seventh Ave South, at Grove Street, 691 6226).
- Jacques Brel is Alive and Well and Living in Paradise: a revival of the music of Jacques Brel, whose songs deal with love, hate, war, peace, youth and age. Currently in previews, opens on Sun (The Village Gate, 160 Bleecker St, 475 5120).
- Born to Rumba: a musical by Michael Alasa about sex, sin, sacrifice and self-deception, set in a pre-Castro Havana nightclub (Duo Theater, 62 East 4th St, 598 4320).
- Distant Fires: set against a background of racial violence in Maryland, Kevin Heelan's play focuses on the competition for promotion between black and white construction workers (Circle in the Square Downtown Theatre, 159 Bleecker St, 254 6330).
- Oba Oba '93: Franco Fontana's musical features the sights and sounds of Brazil and its newest dance craze – the Samba Reg. More than 70 dancers, singers and magicians help portray the country's mix of black, Portuguese and Indian cultures (Marquis Theatre, 1535 Broadway at 45th St, 307 4100).

■ STOCKHOLM

OPERA

Royal Opera This week's performances are by the Finnish National Opera. Tonight and Sat afternoon: Leevi Madetoja's three-act opera Osterbottingar. Tomorrow: Eri Klas conducts Strauss' Four Last Songs (Soile Isokoski) and Tubin's Fifth Symphony. Fri: Solgarden, tragedia buffa by Einojuhani Rautavaara.

The Royal Opera's repertory resumes next Wed with Ingvar Lidholms's new Ibsen opera A Dream Play (248240)

CONCERTS

Konserthuset Tonight's Stockholm Philharmonic Orchestra concert featuring Shnitke's First Symphony is conducted by Leif Segerstam. Next week: Baltic Festival, with music and guest artists from Estonia, Latvia and Lithuania (244130)

Berwaldhallen Kurt Sanderling conducts the Swedish Radio Symphony Orchestra on Fri evening and Sat afternoon in Haydn's Symphony No 39 and Bruckner's Fourth (784 1800)

■ STUTTGART

This month's new production at the Staatstheater is Luigi Nono's Intolleranza 1960 (tonight, Sat, Oct 23, 31). The repertory also includes La bohème, Ariadne auf Naxos and Andrea Chenier. Yuri Simonov conducts orchestral works by Tchaikovsky, Rakhmaninov and Shostakovich in the Liederhalle on Sun morning and Mon evening. Sun evening: Peter Ustinov (221795)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday October 14 1992

Capitalism, Chinese style

THIS WEEK in Beijing, the contradictions inherent in China's experiment with "market socialism" are on display in all their peculiarity. At the 14th national Communist party congress, the doddering men and women who rule 1.2bn Chinese are gathered to write another chapter in the country's conversion to capitalism. The watchwords are free markets without free politics: a vibrant private sector alongside a dominant public sector; a further opening to the west, but a vigorous fight against pollution by western ideas.

It is tempting to conclude that this represents an unstable mix – that the system, like communism in the former Soviet Union, is moving inexorably towards collapse under the weight of such contradictions. Yet that is not how things have turned out to date. On the contrary, China's partial liberation of market forces has produced one of the most extraordinary phenomena of the late 20th century: an economy that has more than doubled in size since liberalisation began in 1978 and could double again by the year 2000. China would then be well on the way to becoming the world's newest superpower.

Whether it can manage such a transformation without domestic upheaval or international conflict will depend in part on decisions rubber-stamped in Beijing in the next few days. This congress will almost certainly be the last in the lifetime of Deng Xiaoping, the 88-year-old architect of reform. Will the cause outlive him? Or will economic change spawn social unrest and a clash over demands for political reform?

Private enterprise

Three years ago, after the violent suppression of pro-democracy demonstrators in Tiananmen square, many observers gave pessimistic answers. The crackdown, they said, demonstrated that the party could not cling to power without reversing, or at least shelving, its market reforms. Recent events suggest party bosses have drawn different conclusions: that private enterprise holds the key to China's modernisation, and that – as in several other recent Asian success stories – it can be harnessed without a significant dilution of authoritarian rule. The people seem to approve. Indeed, the evidence suggests that economic liberalisation would now be difficult for the gerontocrats to reverse.

How long these nostrums will hold true is open to doubt. Behind this week's sloganising lies an uneasy awareness of some difficult policy dilemmas. Most immediately, the economy is showing signs of overheating. Given that the authorities now seem powerless to fine-tune the economy, they may find themselves forced into a crude clampdown on inflationary pressures like that which helped fuel political unrest in the late 1980s. Discontent could be fuelled by the enormous economic imbalances between the regions resulting from the southern provinces' dash for growth, or by rampant official corruption.

Tricky questions

The dismal performance of state industry also raises tricky questions concerning the party's role: the streamlining of state-owned enterprises under the discipline of thoroughgoing price reform could throw millions out of work in a country which has hitherto guaranteed lifetime employment.

Above all, the drive for the market will inevitably mean a progressive loss of power by the party. State industry already accounts for not much more than half of total Chinese output, and the proportion is certain to fall further. It is far from clear that the party or military elders are all reconciled to such a diminution of their role. Much will depend on the next, somewhat less elderly, generation of reformers, some of whom are expected to be promoted to the party's inner circle at the end of the current congress.

For western countries, China's rapid development inevitably spells ever closer involvement in its economic affairs. It also means that they have a growing stake in ensuring that it accompanies economic liberalisation with sensible political reform, including an improved record on human rights. They will need to recognise that the best means of fostering broad-based change lies in encouraging China's private entrepreneurs through trade and investment, not in using trade sanctions on political grounds.

Coal takes the unkindest cut

MARKHAM MAIN, Bevercotes, Cotgrave, Frickley, Grimethorpe, Houghton Main. The names echo across a century of Britain's industrial history and culture, recalling a conflict here, a brass band there, a disaster elsewhere.

These six, along with 25 others, are pits which will cease to produce coal as a result of the cuts announced yesterday by British Coal. Coming at the nadir of recession, the loss of 30,000 more jobs, is a grave matter. It is proper to ask who is to blame for this state of affairs and whether any other course is available.

The accusing finger points most obviously at the National Union of Mineworkers and its leader, Mr Arthur Scargill. It was he who proclaimed a mission to defend the coal industry but whose reckless and misguided actions ensured that miners became a symbol of political extremism and their industry a byword for instability and unreliability. The Thatcher government vowed to destroy Mr Scargill's power and had the backing of most British people when it succeeded in doing so during the 1984-85 miners' strike.

Scargill factor

Since the strike, Mr Scargill has continued his menaces, but ever more hollowly as the industry has crumbled around him. But his ghost has served as a pungent reminder that coal had thrown away its biggest asset, that it is indigenous, plentiful and above all secure. Since British coal has powerful natural disadvantages – it pollutes the air more than gas, oil and nuclear and is 50 per cent more costly than imported coal – this put British Coal in a very vulnerable position.

The result has been that as soon as coal's customers in the electric power industry achieved, through privatisation, the freedom to diversify away from coal, they have done so, even in some cases contracting for gas-fired power stations whose economics is questionable.

The two big generators, National Power and Powergen, are bargaining British Coal into the ground over a five-year contract to apply from next April. Yesterday, British Coal admitted that it can persuade the generators to take no more than 40m tonnes of coal in the first year of the new contract, compared with 65m tonnes this year.

By the time the details of this contract are complete, the government plans to have submitted to parliament a bill to privatise what remains of the coal industry.

In one way, then, the coal story can be viewed as a triumph of market economics, albeit one with very painful consequences. The government says electricity bills will be 3 per cent lower than would otherwise have been the case, with obvious benefits for industrial competitiveness.

Market forces

The story is not, however, quite that simple, since the private sector utilities to which British Coal either offers competition or supplies are themselves imperfectly exposed to market forces. In supporting the reference of British Gas to the Monopolies Commission this year, the government has at last recognised that its privatisation as a single entity was a serious mistake. It has yet to be quite so candid about electricity, where the inadequately regulated duopoly of National Power and Powergen is a candidate for draconian scrutiny by the competition authorities. Then there is the nuclear power industry, still in state hands, heavily subsidised and due for official review in 1994. This industry is already pressing its case for investment in additional power stations, further threatening the coal industry.

There is no case for paying British Coal to produce fuel no one wishes to buy, and none for denying to the British economy the benefits of low world energy prices. That other EC countries do subsidise their much more inefficient industries cannot alter this judgment. But as they line up for their redundancy pay, Britain's coal miners will be right to reflect that the harsh wind of market forces has not blown uniformly across British energy policy.

It is not possible to judge whether the £1bn the government said yesterday it would make available to help regenerate the economies of shattered mining communities is an adequate sum. As victims of the energy policy errors of the 1980s as well as of their own misjudgments, the miners deserve generosity.

After yesterday's announcement of job cuts and pit closures, British Coal faces a fight for survival, says **David Lascelles**

Costly journey to the market

A keen sense of the role played by coal in two centuries of British industrial history is needed to appreciate the full impact of yesterday's developments at British Coal. A fuel which provided the spark for an industrial revolution which eventually swept the world is to be run down, possibly shut off for good.

Shock and anger were the predictable reaction to this historic moment. But there was also bewilderment at the scale, and even ruthlessness, of the operation, to say nothing of the timing.

Why turn thousands of workers on to the streets in the depths of the worst recession since the second world war? Why slash output of a leading national resource at a time when coal imports are already rising sharply? Why try to transform coal into a commercial proposition when no other country in Europe has come remotely near achieving this?

The answer to all these questions lies in the government's determination to end the cossetting which has kept British Coal alive for decades, and force it to earn its place in the world. Although privatisation is in view, a successful sale would be seen more as confirmation that British Coal had secured that place than as a goal in itself.

Few people spoke more bitterly about the closures than the company's own chairman, Mr Neil Clarke, who said they were "a scant reward" for the efforts miners had already put into streamlining the company. And even he raised questions about the wisdom of UK energy policy.

But the cuts follow successive Tory governments' efforts – halting though they have been – to remove the distortions from the British energy market. Once the electricity industry was privatised two years ago and the power generators were free to buy coal wherever they wished, British Coal's only hope of survival lay in producing coal at the right price. Contracts with the generators account for three-quarters of its sales.

The old subsidised contracts expire next March, and this dictated the politically awkward timing of yesterday's announcements. The new contracts that will replace them will be freely negotiated. If the government had wanted to postpone the cuts until the economy was in better shape, it would have had to extend subsidies even longer – something it was not prepared to do. Mr Michael Heseltine, the president of the board of trade, said yesterday: "We are supporting British Coal to the tune of £100m a month. That is equivalent to all the support I give to the rest of British industry."

British Coal has been preparing for this moment ever since the bitter and protracted strike of the mid-1980s broke the back of union resistance. Already significantly leaner than those tumultuous times, the company has nearly trebled output per man, and even managed to report a £170m profit last year, albeit after the government had written off billions of pounds of debt. British Coal is the most efficient coal producer in the EC by a long way.

But although this has involved cumulative pit closures and job losses far greater than those announced yesterday, the drive to become competitive continues.

British Coal currently sells coal for about £1.80 a gigajoule, well above the world market price of £1.20gj. The new contracts now being negotiated with electricity generators would reduce the price to £1.50gj. But that will not be enough to staunch the flow of imports which now account for more than a fifth of the 90m tonnes of coal consumed in the UK each year. Mr Clarke forecast yesterday that British Coal would be fully competitive with imports by the end of the new five-year contracts.

However, price is not the only pressure bearing down on British Coal. Last year's report by N M Rothschild, merchant banking advisers to the government, predicted that UK coal demand would fall to 65m tonnes by 1994/95 and 60m tonnes by the end of the century. Today, those figures might have to be reduced by a further 10m tonnes because of a decline in the electricity industry's needs.

The factors shrinking the coal market include the growing popularity of natural gas as a fuel for power generation. With the North Sea now in full flood, supplies look plentiful until the middle of the next century. Gas has the advantage of being clean and easy to transport. By building new gas power stations, generators can take advantage of the latest technology which produces much more electricity from a given quantity of fuel.

There are also environmental considerations. The UK has subscribed to a European Community commitment to reduce carbon emissions to their 1990 level by 2000. Although new technology has been developed to burn coal more cleanly, the existing power generation structure with its old and dirty stations makes expansion of coal inappropriate.

Nor does the traditional case for coal – the security of supply – carry much weight these days. In spite of its advances, British Coal has yet to shake off its reputation as a costly and unreliable supplier. And the abundance of alternative domestic fuels has weakened whatever claim it had as purveyor of a vital national resource.

But powerful though these arguments look, many people believe they have been overstated. Mr Malcolm Edwards, the former commercial director of British Coal who left the company earlier this year over disagreements about the cuts, says: "They are not inevitable." He points to the subsidies which continue to be handed to the nuclear power industry and to the distorted prices being paid in the "dash" for North Sea gas. Coal also has to compete with electricity imported by cross-Channel cable from France's state-owned power industry, and with imported coal which British Coal alleges is being dumped by third-world countries. He believes the coal market could be sustained at 60m-65m tonnes a year.

However, with the deed now done, the question is whether British Coal will be able to find a new life or whether the cuts have effectively condemned it to a lingering death.

The prospects for a European coal business based on deep mines are not encouraging. Most EC producers have already closed their pits for good. Only two countries still produce coal in any quantity – Spain and Germany – and both subsidise it heavily, Spain to the tune of nearly $1bn a year. In contrast, countries such as Colombia, Australia and South Africa produce coal in high volume and at very low prices, mainly because their operations are open-cast. These are the producers against which British Coal will have to compete to survive.

Another question mark over British Coal is the impact of the new electricity contracts. Although these have yet to be concluded, the outline agreement suggests that the tougher terms will reduce last year's £170m profit, though Mr Clarke stressed yesterday that British Coal would remain in the black. The shift towards gas also makes British Coal "virtually unsaleable", according to the Coalfield Communities Campaign which is fighting the closures.

The challenge facing the government will be to avoid any further cuts as it tries to entice would-be purchasers. Mr Heseltine is committed to selling off the "largest viable" coal industry he can. There are potential buyers for the whole company, including two separate trade union-led buy-out plans. But he will also come under pressure to break British Coal into bits to satisfy the larger number of potential purchasers who are only interested in particular types of pit, or in operations in particular regions.

The case for trying to keep British Coal intact rests mainly on the need to have the strongest possible bargaining partner against the duopoly of the two big generators, National Power and PowerGen. From the buyer's point of view, the bigger the company, the more widely the buyer can spread the risk that its mines will run out of coal. Size also brings economies of scale.

On the other hand, a monolithic coal company might repeat the error the government made in failing to split up British Gas at privatisation, and has since required corrective action by the Office of Fair Trading. Two competing coal companies, constructed with a similar mix of businesses, might be needed to give the necessary competitive stimulus. Rothschild believes that splitting British Coal into two – though not more – would be viable.

But forces are arrayed against a split. "We've already got competition coming out of our ears," says Mr Doug Bulmer, the president of the British Association of Colliery Management which hopes to lead a buy-out. There is a rival buy-out plan by the Union of Democratic Mineworkers in alliance with East Midlands Electricity.

The government will also have to decide whether British Coal should be sold as a free-standing group, or absorbed by a larger international conglomerate. Each course has different attractions. On its own, British Coal would be in charge of its destiny, but vulnerable. As part of a larger group, it would have stronger backing, but would be only one part of a company's global coal strategy. Either way, Mr Tim Eggar the energy minister, is keen for miners to have a stake in the company, though he may encourage them to settle for a profit-sharing scheme rather than the riskier direct share ownership.

Yesterday's announcement and the eventual conclusion of the new electricity contracts will be the most important events in the run-up to the sale because they provide the vital information in assessing British Coal's value.

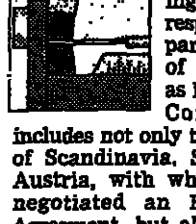
Estimates of this value range up to £500m. The main variable is the extent to which the government takes over British Coal's huge liabilities for pensions, severance pay, free coal for workers and pit subsidence. It is expected that the Treasury will have to take on liabilities for British Coal's past activities, leaving the company to assume its new ones. But this will still leave the Treasury with a multi-billion pound bill, meaning that however much it secures from the sale it will end up with a large deficit on the deal.

British Coal may achieve a new existence, but it will be unrecognisable in size and character compared with just 10 years ago. The company's fate shows how closely interlinked the strands of the energy business can be. "Other people take these decisions. Coal suffers from the results," said Mr Clarke. To which Mr Heseltine's reply was: "British Coal cannot go on producing coal which cannot be sold."

PERSONAL VIEW

Europe at many speeds

By Jacques Attali



References to a two-speed Europe as a threat are misleading in at least three respects. First, it is parochial to speak of the Community as Europe, when the Continent also includes not only the Efta countries of Scandinavia, Switzerland and Austria, with which the EC has negotiated an Economic Area Agreement, but also the countries of central and eastern Europe. The Community has signed association agreements with some of them.

Second, the idea that a diversity of arrangements within the Community would be novel is also false. Quite apart from the Schengen agreement – still to be implemented – on removing all border controls between eight of the 12 members, there were, even before recent events, no fewer than five monetary relationships among the 12.

The prospect of a multi-speed Europe has been stirred by uncertainty about the ratification of the Maastricht treaty. However, Britain's failure to endorse the social chapter and its option on European monetary union, as well as the implications of incomplete fulfilment of the convergence conditions for monetary union, mean that the treaty itself envisages complex geometry and dynamics.

Indeed, this kind of explicit conditionality might be an appropriate way of meeting the aspirations of the countries of central and eastern Europe. Without ratification of Maastricht, however, these aspirations will turn to frustration, adding to current tensions and the risks of instability in Europe as a whole. Even with ratification, the risks may remain unless the EC takes a more enlightened longer-term view of the economic interests of eastern and central Europe.

Finally, the language of fast and slow lanes is very misleading. While some European countries have made rapid economic progress in the past, it is those currently lagging which are likely to move faster on average over the period to ultimate convergence and completion of European unity, in whatever form it may take.

But it is right to be concerned about the form. Some form or common space is necessary as a counter-weight against the current trends towards tribalism, which at their most terrifying turn into the horrors of ethnic cleansing. The challenge is how to achieve that common space while preserving cultural diversity. How should relations between all the countries of the Continent develop, particularly in their relations with the Community?

In fact, of course there are already three communities, not one (the EC, European Coal and Steel Community, European Atomic Energy Authority), and one can readily imagine the proliferation of different groupings if the 12 agree a monetary union (of about six members), free movement (the Schengen agreement of eight) and a Social Community (of 11). In this situation, new entrants to the European family of communities would face a choice as to which groupings to apply to; they might find it easier or more desirable to achieve entry to some than others.

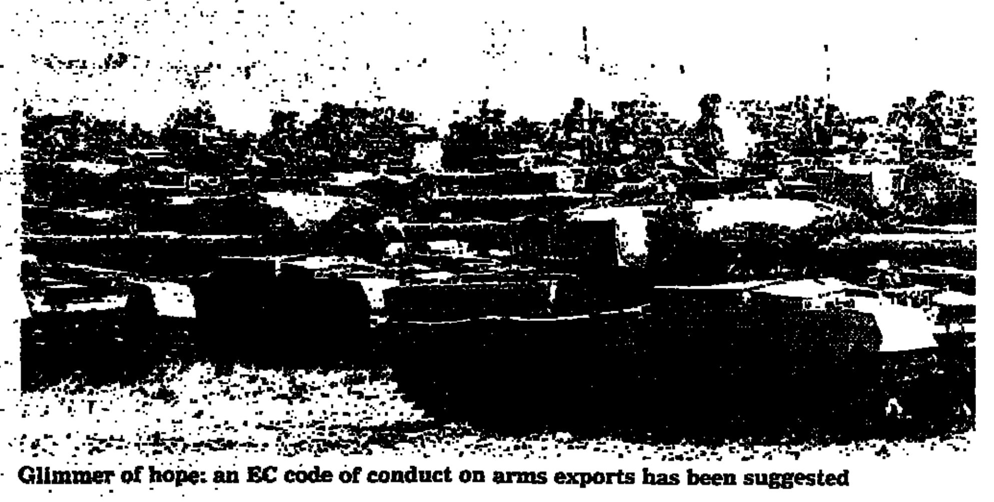
For example, Iceland might choose to stay in the European Economic Area rather than accept the "communitisation" of the fisheries in its territorial waters. Central European countries might find this limited status easier to achieve than full membership of the pre-Maastricht arrangements, with their implications for possible migration and the cost, to existing members, of intra-community income equalisation. This form of step-by-step integration is likely to prove more acceptable than an all-or-nothing decision to both the prospective entrant and existing members.

Moreover, it may be appropriate for some eastern European countries to maintain relatively high tariffs to protect their industries while enjoying favoured access, under the Gatt generalised system of preferences, to the markets of those farther down the road to transition. Nor can one exclude the possibility of a country such as the Czech Republic (or even Estonia) joining the monetary hard core of Europe, even before some of the EC member states are ready to do so.

European countries have always moved at different speeds. For the past 40 years this process in the western half of the continent has been within the framework of the shifting structures of the EC and Efta. It is crucial for this process to continue and to expand, allowing the countries of eastern and central Europe to move at different speeds within a common space – what I call a Continental Common Market – at this time of profound change.

As the nature of these relationships deepens, irrespective of the healthy assertion of the doctrine of subsidiarity (I prefer the notion of "cultural diversity"), the range of possible relationships is enriched. Europe *à la carte* would offer the diner an *embarras de richesse*. Over the next 40 years or more, the mutual nature of such decisions may reduce the real choices, but not the richness of the resulting configuration.

The author is president of The European Bank for Reconstruction and Development.



Glimmer of hope: an EC code of conduct on arms exports has been suggested

The Arms Bazaar*	
Country	Amount
Abu Dhabi	Unknown
Bahrain	$200m plus
Egypt	$2.25bn
Iran	Unknown
Israel	$1.35bn plus**
Kuwait	$3.25bn plus
Oman	$594m
Qatar	Unknown
Saudi Arabia	$25.63bn plus
Syria	$2bn plus
Turkey	$6.23bn plus
UAE	$1.18bn plus

*Firm orders Aug 1990-July 1992
**Plus $3bn for new fighters early 93
Source: Saferworld Foundation

Edward Mortimer

Race towards instability

UN Security Council members do not practise what they preach about arms sales

FOREIGN AFFAIRS

Gloom in Leeds and Newcastle upon Tyne. Jubilation, presumably, in Lima, Ohio. General Dynamics has won the contract to supply 236 tanks to Kuwait, and Vickers has lost it.

Kuwait is spending about £1bn on this contract. Its only consideration – one that has been almost lost from sight in the discussion about jobs and votes in the UK and US – should be whether, protected by those tanks, its citizens can sleep safer in their beds.

Had the tanks been there on August 2 1990, would Iraq's President Saddam Hussein have been less likely to send his army across the border? Almost certainly it would have made no difference. Iraq would still have had overwhelming superiority, and Kuwait's willingness to spend money on weapons would not have altered Mr Saddam's low opinion of its fighting spirit.

The weakness of the Gulf emirates and sheikhdoms is structural, not technical. They have a lot of money and very few people. Their neighbours, Iraq and Iran, are always going to be stronger, and Arab Gulf states, faced with renewed aggression from either of them, are always likely to need help from abroad.

You would hardly think it needed saying again, but arms sales are not the route to a safer or more stable Middle East.

Last December the UN General Assembly, responding to an initiative from the British government, established an Arms Transfer Register. It listed seven categories of weapons as potentially destabilising, because of their value in offensive operations. Main battle tanks come top of the list.

The register is an important first step towards transparency of arms supplies, which in turn is a crucial confidence-building measure. Arms races, while fuelled partly by greed, can be publicly justified only by fear, and can sometimes be checked by shame. If the facts about your potential adversary's acquisitions are in the public domain, at least you do not have to base your own procurement programme on wild supposition; and in some cases purchases may be inhibited by the knowledge of the governments concerned that that they will be placed on public record.

But a list of transfers by itself is not enough. To make it meaningful, the register should include existing national holdings and production. Also, at present transfers have to be registered only when they have physically taken place. Yet orders are often placed years in advance, and governments remain highly secretive about arms deals in the pipeline. When planning your own defences, it is what your adversary may have in the future that is relevant, at least as much as what he has now.

In any case, transparency is only one prerequisite for a solution. Unless arms sales are effectively curtailed, the fact of their being public could even act as a stimulant. Suppliers and purchasers could use the register to show that they are only doing the same as their competitors or adversaries.

The five permanent members of the UN Security Council ("the P5"), which happen also to be the largest arms suppliers, took the lead in proclaiming the need for greater restraint in the wake of the Gulf war. On a French suggestion, they have held regular meetings on the subject. But they hardly seem to be practising what they preach.

According to the Saferworld Foundation, a research and lobbying charity, the US received arms orders worth about $28.5bn from the Middle East in the two years following Iraq's invasion of Kuwait. The principal client was Saudi Arabia, with orders of more than $17bn - and that was before US President George Bush approved the sale of 72 F-15 fighter jets last month. The administration predicts total US arms sales for 1992 worth $35bn, the majority going to the Middle East.

Russia is still the second biggest arms supplier, although it is not so generous with precise figures. In 1991 it received orders worth $2bn from Syria alone, for weapons including T-72 main battle tanks, fighter aircraft and missiles. While Syria claims it needs these weapons to offset Israel's overwhelming superiority, Israel uses them as an argument to extract yet more sophisticated weapons from the US. It seems unlikely that the Middle East peace process, of which both the US and Russia are sponsors, is thereby facilitated.

You would hardly think it needed saying again, but arms sales are not the route to a safer Middle East

Even more destabilising, in both western and Arab eyes, are Russian arms supplies to Iran. The value of these is unknown, but in 1991 they reportedly included 25 Su-24 bombers, 50 MiG-29 fighters, an unknown number of MiG31 and Su-27 aircraft, and 200 T-72 main battle tanks. A Russian foreign ministry spokesman, Mr Sergei Yastrzhembsky, recently confirmed that Russia woud go ahead with a contract to sell three Kilo-class diesel-powered submarines to Iran, reportedly worth $750m, even though the US Senate has banned any US aid to Russia until arms sales to Iran are halted.

Annual hard-currency revenue from such sales would be three to four times greater than the credit blocked by the Senate, explained a senior official at the Russian ministry of foreign economic relations last week - which suggests reports that Iran is interested in purchasing a further 1,000-1,500 tanks and a variety of other equipment may be true.

Mr Yastrzhembsky claimed: "We take care to see that the regional balance is not upset." But that notion of a regional balance is at the root of the arms race, since each state tends to measure itself against the combined strength of several different potential adversaries, and a state like Iran, placed at the intersection of the Middle East with central and south Asia, may even argue that it has to cope with threats from more than one region.

The UK's Middle East order book of $4bn in 1990-92 looks meagre by comparison, but not for want of trying. Touting British equipment in the Gulf is still one of the main responsibilities of British defence ministers, and Vickers has been careful not to bite the hand that feeds it by blaming the government for its failure to win the Kuwait contract.

France is in there too, with sales to Abu Dhabi, Kuwait, Oman, Qatar, Turkey and, of course, Saudi Arabia. And Chinese sales (including 72 F-7 aircraft to Iran in 1991) are supposed to be of particular concern to the US. Yet this did not stop Mr Bush authorising the sale of 150 F-16 fighter jets to Taiwan last month, prompting China to withdraw from the P5 talks on arms control in the Middle East.

One glimmer of hope: the European Parliament, prompted by Saferworld, has called for an EC code of conduct on arms exports. It is true that under Article 223 of the Treaty of Rome the EC cannot prevent any member state from taking "such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms". But at least member states could be asked why they think arms sales to the Middle East are necessary, whereas arms sales to Bosnia (which is actually engaged in a struggle for survival, against aggression and "ethnic cleansing") are still banned.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Economic objective admirable, but argument is faulty

From Mr John Jenkins.

Sir, I agreed with your editorial "Filling in the policy gaps" (October 9). You rightly criticised the chancellor's speech at the Conservative party conference for being economically thin.

But I must accuse you of the same fault in one vital respect. You said and I paraphrase slightly in the interest of brevity – "the competitive gains for devaluation will only be maintained if pay settlements average no more than 2 per cent". I agree completely. You go on to say that, if they do, the authorities may need to tighten policy. But *how, how, how* do we do this effectively? As you say, after two years of recession and tight monetary policy, average earnings are still rising at 6 per cent per annum.

This tight policy may well have terminally and disastrously ruined Britain's productive capability and yet still wages go on rising. And I bet that if prosperity by some miracle returned tomorrow, vastly inflationary wage claims would leap into place the day after.

Please, therefore, tell me what we should do to fulfil your admirable first criterion without entailing the ruination of British productive capacity.

John Jenkins,
Childerley Hall,
Dry Drayton,
Cambridge CB3 8BB

An unequal VAT advantage

From Mr Robert Howes.

Sir, From January 1 1993 a VAT-registered trader who purchases goods from a company registered for VAT in France or elsewhere in the EC need no longer pay the value added tax on importation. This tax will now be called acquisition tax and will be declared on his next VAT return and instantly cancelled by deducting it as input tax.

However, if he purchases the same goods from a UK company in, say, Birmingham he will continue to have to pay the input value added tax on his supplier's invoices and claim it back later, thus suffering a cash-flow disadvantage.

The prime minister in his speech to the party conference expressed determination to hack through the jungle of red tape. Might I suggest that he commences by levelling the commercial playing field with the rest of Europe and allow VAT-registered traders to zero-rate supplies to other VAT-registered traders in the UK.

Robert Howes,
7 Claremont,
16 St Johns Avenue,
London SW15 2AB

Short sighted to halve the size of UK coal industry

From Mr James McFarlane.

Sir, Whatever the bullying tactics of mineworkers in the past, it can't make sense to more than halve what remains of the industry. In an island as crowded and as short of natural resources as ours, it is perverse to neglect what we have.

Political pundits, electricity generators, shirt-sleeved traders and teenage scribblers justify the prospect by telling us what any fool knows, namely that you can buy fuel cheaply from offshore sources at present. I hope that somebody is considering whether this is still likely to be true in one, five and 20 years' time.

Closing mines is not an easily reversible process and I hope we know where our energy will come from if South African coal mines fall into chaos or something blows our oil and gas rigs out of the sea.

Quite apart from such strategic risks, there is the mundane consideration that further devaluations of the pound can soon change today's bargain into tomorrow's extortionate price. Such weakening of the currency will be accelerated if we damage the balance of payments by importing yet more of our raw materials.

It might be wrong to think that the electricity generators have all this at the front of their minds in deciding what amount of coal to buy in the UK and hence what proportion of the mines will be closed. They have more immediate concerns than this and they know that, in the ultimate, no conceivable UK government can allow electricity generators to founder completely. That is why it was a mistake to privatise them. If one of them takes a short cut to a cost saving, the other will have to do likewise.

We can all see short cuts but who can save us from short sight?

James McFarlane,
24 Broad Street,
Ludlow,
Shropshire SY8 1NJ

No long contracts at Hanson

From Mr Martin G Taylor.

Sir, The Lex piece about Trafalgar House (October 10) included a reference to Hanson which suggested that its directors have lengthy contracts. Not so, and it has never been so. If your correspondent had looked at our accounts, he would have seen that there are no contracts of service under which directors of the company are employed by the company or any of its subsidiaries other than contracts expiring, or determinable by the employing company, within one year and without payment of compensation. That has been the case for as long as I can remember.

Martin G Taylor,
vice-chairman,
Hanson,
1 Grosvenor Place,
London SW1X 7JH

UK government should resume Britain's membership of Unesco

From Mr Malcolm Harper and Dr Maurice Goldsmith.

Sir, Why is the UK not a member of the United Nations Educational, Scientific and Cultural Organisation (Unesco)? Having withdrawn from the agency in 1985, citing concern about management and aspects of programme activity, the UK government can no longer justify Britain's continued absence.

Unesco has greatly reformed in the last seven years and progress has been made on every point of dissatisfaction put forward at the time of withdrawal. The Foreign Office has repeatedly stated its commitment to the ideals and principles embodied in Unesco's constitution and in a recent adjournment debate, foreign office minister Douglas Hogg acknowledged the reforms, declaring that the government now has "a genuinely open mind" on the issue. Yet still there is no move to return.

Such recalcitrance may be due to the expected £7m cost of resumed membership. However, in 1984, UK-related receipts from lucrative contracts and consultancies from Unesco exceeded the UK's direct budgetary contribution. Future membership costs would certainly be offset by indirect income.

The UK was a founder member of Unesco; the first director-general, Sir Julian Huxley, was British and the constitution is lodged at the British Foreign Office. Our continued absence from the international exchange fostered by Unesco restricts and isolates the UK and does incalculable damage to our reputation abroad.

Foreign Office observers will attend the current session of the executive board – Unesco's ruling body – which ends on October 31. We urge the government to resume membership after this.

Malcolm Harper,
director,
UN Association of Great Britain and Northern Ireland.
Maurice Goldsmith,
chairman,
UK Friends of Unesco,
3 Whitehall Court,
London SW1A 2EL

OBSERVER

Under the hammer?

■ Rumours that Lord Gowrie's days as chairman of Sotheby's non-American operations are numbered are doing the rounds again – a product of the enduring cultural chasm between the establishment figures who dominate the London saleroom and Sotheby's president Alfred Taubman, the US shopping mall tycoon, who bought the company to please his wife.

The arrival last October of former Hollywood producer Roger Faxon as a cost-cutting managing director in London left Lord Gowrie concentrating his talents on selling Sotheby's to the rich and famous and using his contacts to acquire goods for sale in competition with the sharpened-up Christie's.

But now the promotional job has disappeared as well with the arrival of Luke Rittner, former boss of the Arts Council, as head of corporate affairs. Lord Gowrie is still a great asset at Sotheby's – which he joined in 1987 after quitting the government because he could not live on his ministerial salary – and the London operation has withstood the recession better than the New York end.

On the other side of the Atlantic, the whispers concentrate on Taubman. He is believed to be wearying of the social whirl that comes with owning the world's biggest auction house. More to the point he has been raising cash this year and there is even talk that he may depart before Gowrie.

Moore critical

■ If former Labour party leader Neil Kinnock had been given the job of editing the Sunday Telegraph, Prime Minister Major could not have had a more hostile critic than its new editor, 35-year-old Charles Moore.

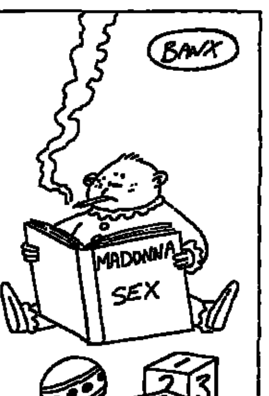
This opinion of one seasoned political observer may be over the top but the editorship of a traditionally Conservative paper has been handed to a young man who is not a great admirer of Britain's embattled prime minister. Old hands at reading the political tea leaves will be making their own judgments of what it means.

The appointment certainly has the hallmarks of Conrad Black, a proprietor keen to hedge his bets, more than Max Hastings, the editor-in-chief who has overall responsibility for the content of the daily and Sunday newspapers. Perhaps Moore will be more supportive of the PM now he has been made an editor. But many think not judging by his column in last week's Spectator. "Mr Major may come from Brixton, but he is treating his own people as if he were a Bourbon" opined Moore.

Spy spat

■ Not all the scriptwriters at Russia's Foreign Ministry have been changed since the old Soviet regime – judging by yesterday's furious reaction to Norway's expulsion of a Russian diplomat.

Following a week's silence on the hurried return home of Viktor Fediuk, a third secretary said to be in the employ of Russian military intelligence, come indications that the cold winds sweeping the Moscow streets have now penetrated one of the most liberal ministries of the post-Gorbachev era. The foreign affairs functionaries yesterday lashed out at the Norwegian media for conducting a "campaign ... to revive distrust and



suspiciousness which had become a thing of the past... The stirring of passions and far-fetched statements is aimed at damaging the prestige of Russia."

A Norwegian correspondent in Moscow saw it differently. "A spy scandal in a small country like Norway with a big neighbour like Russia is great stuff for our newspapers".

Disney honor

■ How times change. Only a few months ago Walt Disney chairman Michael Eisner was being accused by the French intelligentsia of foisting a "cultural Chernobyl" on France in the form of his Euro Disneyland theme park. Yet this week he found himself in the Matignon Palace in Paris, receiving the honorary title of *Chevalier de la Légion d'Honneur* from Pierre Bérégovoy, the French prime minister.

If it seems a little strange that the Disney chairman should have received the French government's blessing so soon after the "Chernobyl" eruption, it should be remembered that the French government is not exactly stingy when it comes to dishing out honours, especially when there are jobs on the line.

Who knows one day Eisner may follow in the footsteps of the great Walt Disney himself and be promoted into the *officier* class?

Fat stress

■ In the UK anyone admitting to "going to work on an egg" is subject to instant derision, comparable to admitting to being a smoker. But in the US the Centers for Disease Control have discovered that cholesterol-awareness levels vary widely across the country. In the maple-syrup stronghold of Vermont, for instance, an average 31 per cent of people know their cholesterol level. Hard on its heels are Maine, Massachusetts, North Dakota and Wisconsin, each with an average 30 per cent.

Bottom of the league table, with just 15 per cent awareness, comes Washington DC. But given the amount of stress generated in that fraught city, perhaps people have more pressing things to worry about.

Comparative

■ Nice to see that Henderson Administration's employees have retained a sense of a humour. At yesterday morning's meeting to announce the proposed "merger" with Touche Remnant, one of the company's senior executives was describing Touche's recent investment performance in not altogether flattering terms. An unkind wag at the back of the room was heard to mutter: "Well they'll fit in here nicely then, won't they?"

FINANCIAL TIMES
Wednesday October 14 1992

Restructuring scheme could cost Ecu4bn and lead to loss of 50,000 jobs

Brussels urged to back steel plan

By Andrew Hill in Brussels

EUROPE'S steelmakers, hit by overcapacity, recession and cheap non-EC imports, are planning a radical restructuring which could cost more than Ecu4bn ($5.6bn) and lead to the loss of 50,000 jobs.

Chairmen of the EC's 15 largest steel companies have asked the European Commission and Community member states for financial assistance to cover the redundancies. They also want "guidelines" on market developments, and swift and strong action against alleged unfair competition from outside the Community.

The move could raise fears among EC free traders, such as Sir Leon Brittan, competition commissioner, that the industry wants to return to the sheltered and heavily subsidised steel regime of the 1980s.

It could also add to trade tensions with the US, which is already looking to impose duties on EC steel products.

Mr Dietrich von Hülsen, director general of Eurofer, the confederation of EC iron and steel producers, said yesterday that without the plan "there is a real danger that all the efforts and successes of the last restructuring will be put in doubt. If we don't take urgent action, 1992 and 1993 will be catastrophic."

Commission officials said they hoped to react positively to the steelmakers' proposals. The problem would be finding sufficient financial resources.

Coal and steel treaty reserves amount to Ecu750m, of which some Ecu500m is in principle available to fund such measures. EC industry ministers will discuss the coal and steel budget at their meeting next month.

The steel industry's plan would involve:

● Restructuring, including a redundancy programme which could cost at least Ecu2bn over the next three to four years. Eurofer indicated that related costs, such as incentives for plant closures and reduction of supply, could more than double that figure.

● Market regulation. The Commission would draw up guidelines on production, consumption, exports and imports, to help the industry adapt to changing demand.

● Protection from increased imports, for example, by accelerating the procedure for examining dumping complaints against third countries. The industry is particularly concerned about low-price imports from east European countries and the former Soviet Union, which have increased by 70 per cent over the last year.

Botha tries to set up Angolan peace deal

By Julian Ozanne in Huambo, Angola

A POSSIBLE solution to the political crisis in Angola was beginning to take shape last night despite an outbreak of fighting in several parts of the capital, Luanda, and the mobilisation of rebel Unita troops in several provinces.

Mr Pik Botha, the South African foreign minister, has emerged as a key mediator. He is negotiating a possible deal between President Jose Eduardo dos Santos, the leader of the former Marxist MPLA government, and Mr Jonas Savimbi, the hardline leader of the former South African and US-backed Unita movement.

Mr Botha yesterday flew to the central Angolan city of Huambo to meet Mr Savimbi, who has alleged that Unita's defeat in the war-shattered country's first democratic elections was rigged.

In a marathon four-hour meeting, attended by the Financial Times Mr Botha began the process of hammering out a political deal between Unita and the MPLA to avoid further conflict. He urged Mr Savimbi to take the "moral high ground" and pledge himself to "discussion and dialogue" rather than threaten the southern African region with renewed civil war.

Mr Botha, convinced that alleged irregularities in the electoral process cast doubt on the credibility of the outcome of the poll, put forward the outlines of a possible political compromise on genuine power-sharing in a government of national unity. He also suggested some negotiation on a new form of administration for provinces such as Bie, Huambo, Benguela and Cuando Cubango, where Unita swept the polls.

"The irregularities of the elections, the small margin the president has above 50 per cent and the starkness of the choice must force each side to reach for a political solution," he said. "It will take time to ripen and we need a balance of interests to see that resorting to force will only make both sides losers but that striking a deal will make both sides winners."

Mr Savimbi asked Mr Botha to "convince President dos Santos that he needs us to bring this country together. There is an important part of the country which does not want him any more. But I accept that we also need Mr dos Santos."

Mr Savimbi promised he would not "use force to achieve a political solution but I categorically reject the electoral fraud," he said. "We need another pragmatic and just solution which is not imposed on us."

He said he could not accept the election results which showed him trailing Mr dos Santos with about 39 per cent to Mr dos Santos's 50 per cent after 90 per cent of the results were announced. If Mr dos Santos does not get more than 50 per cent then the law dictates a second round run-off between the two candidates.

Mr Botha's mission came as the United Nations and other western observers were beginning to accept that the elections have been flawed, more out of incompetence and ignorance than out of design, and that it is time to arrange a political deal between the two sides.

French riot police and farmers clash outside the agriculture ministry in Paris yesterday

Brussels fails to agree curb on powers

Continued from Page 1

exchange rate mechanism in the wake of last month's currency turmoil has been taken off the Birmingham agenda in case it provokes new market instability.

● A strategy to recapture Danish voters' support for the Maastricht treaty cannot get under way until the power struggle between Brussels and the member states is resolved.

● Summit efforts to win EC endorsement of the emerging Uruguay Round world trade deal are likely to be muted because of the risk of isolating France, which is determined to protect its subsidised cereals exports.

Although there will be no agreed text on subsidiarity at Birmingham, Mr Delors will report to the 12 members on Brussels' attempt to define the division of powers in the EC, and the summit is expected to produce a statement of intent on subsidiarity.

Nevertheless, although Mr Delors failed to convince his colleagues with his subsidiarity proposals, he received a favourable reception from ambassadors of the 12 when he presented the text to them on Monday.

One ambassador described the text as "a useful first step" towards easing public fears about Brussels powers and centralisation.

But he and other EC officials acknowledged the EC would have to wait until Edinburgh for agreed details on how subsidiarity will work.

Mr Delors' subsidiarity plan, which would not require renegotiating Maastricht, aims to clarify that power in the EC rests with the member states unless specified otherwise. It would also devolve some policy and management to the 12.

It tries to define principles rather than listing powers to be returned to the 12, but which they might have difficulty agreeing.

Nobel winner extended the realm of economic theory

By Edward Balls in London

MR GARY BECKER, named yesterday as this year's winner of the Nobel prize for economics, is proof that economists have more to offer than dubious forecasts, indecipherable equations and contradictory conclusions about the behaviour of money and markets.

Revered among his fellow professionals for his seminal work on the economics of discrimination and human capital theory, the 61-year-old professor at the University of Chicago has spent the past 40 years extending the discipline of economics far beyond the world of international trade and finance.

Marriage, crime, drugs, and even divorce have all been subject to scrutiny using the laws and logic of economics and rational behaviour to explain many puzzles about human behaviour.

Mr Becker was the first to show that racial discrimination was economically costly and relied upon the existence of monopoly power. Only companies with market power could afford to ignore qualified candidates or refuse paying customers because of their colour or religion. So encouraging competition is the best way to end discrimination.

He also investigated how we punish criminals and why prison sentences for unarmed robbery are much lower than those for armed robbery. Mr Becker argued that engaging in crime was a rational decision. The criminal balanced the rewards from crime against the probability and cost of capture, so not all crimes should receive too tough a sentence.

Attaching a life sentence to unarmed robbery would reduce the number of thefts, but it might also increase the number of murders once the marginal disincentive for petty thieves to use guns was removed.

Mr Becker has also used applied economic logic to explain how the loosening of US divorce laws over the past few decades has affected the number of divorces and the type of settlements. Contrary to conventional wisdom, allowing one party to file a divorce suit rather than requiring mutual consent has not led to more divorces, in states which have taken this route.

However, as Mr Becker predicted, it has changed the distribution of wealth between the two parties. The size of financial settlements has fallen sharply now that there is no need for an agreement to the divorce.

Mr Lawrence Summers, an economics professor at Harvard university and currently chief economist at the World Bank, says that policy-makers should have predicted this result. "One of the most important unintended consequences of the divorce revolution in the US – the impoverishment of hundreds and thousands of children – would have been apparent if they had studied Becker's seminal approach to the economics of the family."

THE LEX COLUMN

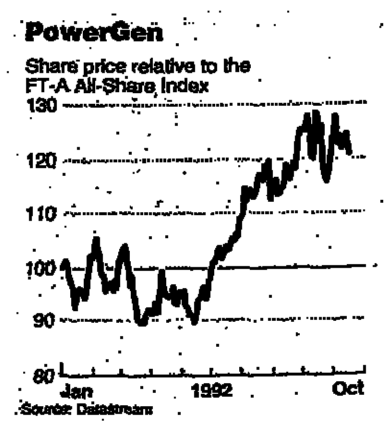
A daring Touche

Fund managers at Henderson and Touche Remnant would surely raise a quizzical eyebrow if one of the industrial companies in their portfolios suddenly announced that it was spending the bulk of a £55m cash hillock in its balance sheet. It is, after all, no embarrassment in the City these days to keep a little corporate money in the bank. By marking Henderson's shares 6 per cent higher, though, the stock market obviously believes that there are valuable synergies to be had from merging two of the UK's biggest investment management groups.

It is hard to make a firm judgment without the final price. The two product ranges certainly appear complementary – thus boosting overall earnings quality. Touche should bring a touch of class to the combined investment performance. Henderson may be on the way back, but it has been through a desperately rocky patch. The vital question is the scale of available cost cutting which, failing a sustained bull market in equities, holds the commercial key to the transaction. On the back-of-an-envelope assumption that the Touche price tag might prove to be anything up to £45m – for which the bidder would be getting £18m of cash as well as the funds under management – Henderson shareholders will hope that £10m of savings does not turn out to be an over-ambitious target.

It is fitting, of course, that the deal should have been announced within days of the fifth anniversary of Black Monday – an event which wiped out nearly 70 per cent of Henderson's market value overnight and marked such a sudden change in the group's fortunes. The departure of Société Générale is also highly symbolic. It may be that unit trusts will one day be sold in Lyon and Marseilles, and French Sicavs in Esher and Chipping Norton. But not yet.

FT-SE Index: 2584.7 (+27.5)



UK economy

September's producer price figures already show some impact of devaluation on input costs. Two thirds of the 0.6 per cent monthly rise was accounted for by higher prices for petroleum products and the "other imported materials" category. No doubt the increases will accelerate in coming months. But the consolation is that the output price figures show how little inflation was in the pipeline when the sterling crisis struck. The underlying year-on-year rate of output inflation, which excludes food, drink and tobacco, is only 2.6 per cent. The monthly rate has been stuck at 0.1 per cent since May.

More encouraging still, the divergence between output inflation and input prices, which have fallen 0.4 per cent over the past year, suggests manufacturers have room to absorb higher import costs in their margins – particularly so given the decline in unit labour costs. After yesterday's mortgage cut by Abbey National there is ample ground to expect retail inflation to remain subdued for the time being.

Whether that translates into an early cut in interest rates is another matter. A poor set of unemployment figures on Thursday would be an obvious opportunity. But if the Birmingham summit turned out to be a fiasco, the authorities could then almost immediately find that sterling was again in sharp decline. They must also be aware that industry will move to recoup any loss in margins at the first sign of recovery.

UK electricity

The electricity regulator yesterday delivered a timely reminder of his ability to spoil the power generators' party. PowerGen was due a sharp ticking-off for abusing its position in the electricity pool last year. A pointed reminder of the possibility of a full monopolies commission inquiry by 1995 was unexpected in the context of what was otherwise a narrow, technical report. By going out of his way to link an inquiry to the generator's prices and profits, Mr Littlechild touched on the most sensitive point of an industry doing very nicely without price-based regulation.

On a bearish view, the threat of price controls in the constrained sector of the electricity market – the occasional generation of additional power at premium rates to meet demand surges – might be interpreted as the thin end of the wedge. Dark mutterings about forced changes of ownership in this area add to the suspicion that the regulator sees the industry's broader structure as flawed.

The outperformance of National Power and PowerGen shares this year has been based squarely on anticipation of a favourable coal contract with British Coal, backed by supply agreements with the regional electricity companies. This is still likely, despite the delay. A small yield discount to the market, though, relies on faith that the generators can cut costs and maintain prices without interference.

Body Shop

Body Shop seems to find selling soap a lot easier than selling shares. Yesterday's interim results showed turnover continuing to grow, but the long-term fall in return on capital is worrying. The City is uncertain about the full extent of the company's problems, but the difficulties of a go-go retailer overreaching itself are all too familiar. Saturation has been reached in the UK earlier than expected and Body Shop faces copy-cat competition from Boots and others, putting its premium pricing under threat. True, there were some special factors behind the 42 per cent fall in UK profits, but confusion about the company's response to the decline is unsettling.

As with many companies which have grown rapidly, issues such as working capital and stock control have had low priority. While profits are growing exponentially, that may be excused; once growth slows firm financial controls become central to success. Were Body Shop to acquire a strong finance director, many fears might be allayed.

That said, the company has a brand name with genuine international appeal and a proven ability to make money overseas. Its franchising system also avoids many of the pitfalls which have befallen other retailers abroad. In a sector struggling to make progress the potential for international growth is seductive. After recent falls the shares now stand at a mere 10 per cent rating premium to the sector. The brave may see a buying opportunity; the wary may recall Next and Ratners.

World Weather

		°C	°F
Ajaccio	T	22	72
Algiers	S	18	64
Amsterdam	S	10	50
Athens	F	25	77
Bahrain	S	32	90
Bangkok	R	33	91
Barcelona	C	16	61
Beijing	C	12	54
Beirut	S	30	86
Belfast	C	10	50
Belgrade	S	10	60
Berlin	S	8	46
Biarritz	F	15	59
Bombay	F	30	86
Bordeaux	F	15	59
Boulogne	S	11	52
Brussels	S	9	48
Budapest	S	10	50
Buenos Aires	F	23	73
Cairo	S	32	90
Cape Town	S	19	66
Caracas	F	29	84
Casablanca †	S	21	70
Chicago †	S	3	37
Cologne	S	10	50
Copenhagen	R	8	46
Corfu	F	25	77
Dallas †	S	17	63
Dublin	C	10	50
Dubrovnik		–	–
Edinburgh	C	10	50
Faro	S	19	66
Florence	S	18	64
Frankfurt	S	10	50
Geneva	C	13	55
Gibraltar	S	19	66
Glasgow	Dr	11	52
Helsinki	F	1	34
Hong Kong		–	–
Innsbruck	S	13	55
Inverness	C	11	52
Islamabad	F	29	84
Istanbul	F	13	55
Jakarta	R	31	88
Johannesburg	S	24	75
Lisbon	S	19	66
London	S	13	55
Los Angeles †	C	17	63
Luxembourg	S	10	50
Madeira	F	23	73
Madrid	F	16	61
Majorca	F	20	68
Malaga	S	21	70
Malta	F	24	75
Manila	F	33	91
Melbourne	F	21	70
Mexico City	C	24	75
Miami †	S	23	73
Milan	C	14	57
Montreal †	S	5	41
Moscow	Sn	-7	19
Munich	S	9	48
Nairobi	C	27	81
Naples	F	23	73
Nassau	C	32	89
New Delhi		–	–
New York †	C	14	57
Nice	F	20	68
Nicosia	S	28	82
Oporto	S	16	61
Oslo	C	5	41
Paris	S	10	50
Prague	S	8	46
Reykjavik	S	5	41
Rhodes	S	25	77
Rio d'Janeiro	C	30	86
Rome	F	22	72
Salzburg	S	11	52
S'Francisco †	C	13	55
Seoul	S	21	70
Singapore	F	29	84
Stockholm	S	2	36
Strasbourg	S	10	50
Sydney	F	19	66
Taipei	C	25	77
Tangier	F	19	66
Tel Aviv	S	30	86
Tenerife	Dr	22	72
Tokyo	R	19	66
Toronto †	S	3	37
Tunis	S	28	82
Valencia	F	19	66
Venice	S	13	55
Vienna	S	9	48
Warsaw	F	4	39
Washington †	F	11	52
Zurich	C	6	43

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Overseas sales limit Body Shop decline

Body Shop International, which last month issued its first profit warning and saw its share price fall by 41 per cent, yesterday spelt out the reasons for the sharp decline in its UK performance. Trading profit in the UK slid 42 per cent in the six months to August 31, making up 39 per cent of the total. This was the first time UK profits had fallen behind those made overseas. *Mr Gordon Roddick, chairman, said the row with one of the biggest UK franchisees with six shops in the south of England had cost about £400,000 ($712,000) in lost profit.* Page 30

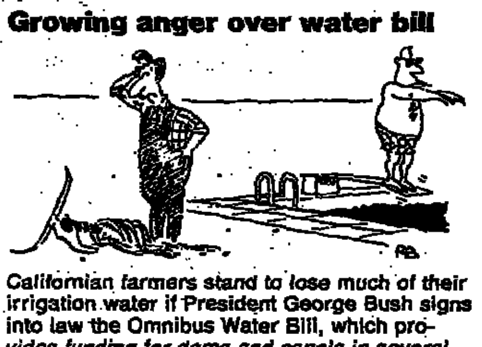
Bank technology led to bubble

The speculative bubble in property prices, which is at the heart of many countries' economic problems and has led to big losses for hundreds of banks, was to a large extent caused by advances in banking technology. That is the view of Mr Gerald Corrigan (left), one of the most influential spokesmen on banking regulation. He is chairman of the Basle-based committee on bank supervision and president of the New York Federal Reserve. Page 28

MGN may not be sold for years

Mirror Group Newspapers, publishers of the Daily Mirror, the UK national daily newspaper, may not be sold for up to two years, senior directors believe. "This is not a drama exercise but it is a story we are proud of", said Sir Robert Clark, MGN chairman. Page 24

Growing anger over water bill



Californian farmers stand to lose much of their irrigation water if President George Bush signs into law the Omnibus Water Bill, which provides funding for dams and canals in several states. In California, however, it highlights a century-long battle between farmers and town-dwellers over water rights. Page 32

Athens equities sink

Greek investors feel that they have more to worry about than mere turbulence on international currency markets. Continuing fears of war in the neighbouring, former Yugoslavian republic of Kosovo, combined with a rise in interest rates and the prospect of a harsh 1993 budget, have sent prices on the Athens Stock Exchange plunging. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz Hld	532	+	17
Mannesmann	221.5	+	6.5
Mercedes Hld	402.5	+	10.5
Thyssen	169.5	+	11.9
Volkswagen	270.7	+	13.2
Falls			
Zanders Feinop	210	–	7
NEW YORK ($)			
Rises			
Caesa	32¼	+	2½
First Financial	17½	+	2¼
Lafarge Sprat	21⅞	+	⅞
Merrill Lynch	51½	+	3½
PaineWebber	18½	+	1½
Pepsico	38⅝	+	¾
PARIS (FFr)			
Rises			
Bancaire Cie	357	+	13
Eurafrance	1033	+	65
Euro Disney	74.7	+	4.8
Fin Poliet	348	+	17.9
Valeo	630	+	29
Falls			
GTM-Entrepose	291	–	14
TOKYO (Yen)			
Rises			
Chori	445	+	45
D'Urban	544	+	44
Hodogaya Chem	348	+	36
Japan Register	260	+	30
Kanto Inds	1150	+	100
Falls			
Canon Sales	2030	–	140

LONDON (Pence)			
Rises			
Argyll	384	+	14
Ashley (Laura)	70	+	5
Cairn Energy	35	+	4
Coloflex Fwfr	27	+	5
Euro Disney	860	+	50
FR Group	179	+	9
GKN	373	+	13
Glaxo	791	+	17
Hammocell	174	+	9
Henderson Adm	655	+	37
Legal & Gen	364	+	17
ML Labs	815	+	37
Rank Org	520	+	13
Sinclair (Wm)	209	+	13
TepnelDgnstcs	168	+	8
Thames TV	150	+	7
Falls			
Grampian Hldgs	80	–	8
Ladbroke	154	–	9
Lyles (S)	93	–	6
Metsec	73	–	12
Pharmagen	2	–	2
Ramus	34	–	4
Taylor Woodrow	50	–	3
WB Inds	14	–	7

Merrill Lynch and PaineWebber benefit from September turmoil in European exchange rates

Strong third quarter for US securities houses

By Patrick Harverson in New York

MERRILL Lynch and PaineWebber, two of the biggest securities houses in the US, reported strong third-quarter profits yesterday in spite of the slowdown *in stock market activity over the summer.*

Big increases in earnings from capital market trading operations – *some of it* linked to the turmoil in European currency markets in September – and *investment banking, helped offset the* impact on revenues of *poorly* performing domestic stock markets.

Both firms have been diversifying *their revenue base away from* traditional brokerage business. The figures delighted investors, with Merrill rising *$1½ to close at $51¼ and PaineWebber* rose $1½ to $18½ in New York.

Merrill's third-quarter profits rose 44 *per cent to $230.1m, or $2.05 a share.* It was a record performance for the period, but below the $277.5m earned in the *opening three months of the year.*

The biggest contribution to profits came from Merrill's trading for its own account, where gains from foreign *exchange, swaps and other derivatives* products boosted revenues 26 per cent to $610m. The firm is believed to have *made a lot of money* from the wild fluctuations in exchange rates during the European currency crisis of September.

Investment banking was also strong between July and September, with revenues rising 25 per cent to $365m. Merrill continued *to lead Wall Street as the most active underwriter* of debt and equity issues in the US and global markets.

Asset management and custodial fees, which Merrill has built up as a protection against volatile market-related earnings, *climbed* 11 per cent to $212m. Assets under management at the firm increased 11 per cent to $135bn by the end of the quarter.

Commission revenues rose 8 per cent to $563m, as strong revenues from sales of mutual funds and other investment *products offset the slowdown in investor* interest in stock markets. Net interest income jumped sharply to $252m, and expenses rose 14 per cent to $1.4bn, primarily because of higher levels of business activity and firm profitability.

It was a similar picture at PaineWebber, where net income rose 35 per cent to $51.7m, or $1.06 a share, following healthy increases in revenues from investment banking, brokerage commissions, asset management and principal transactions.

Norma Cohen on the market dynamics propelling talks between Henderson and Touche Remnant

Fund managers adapt to new imperatives

Selling unit trusts to a public now painfully aware of the vagaries of the stock market is hard work.

A unit trust, like its older cousin the investment trust, *offers the average investor* the opportunity to play the stock market without the agony of picking individual shares.

For the fund management companies that manage these two types of trust, public anxiety over share prices is *not the only* worry; they must also cope with fierce competition.

Recent figures from the Unit Trust Association show that last year the number of unit holder *accounts, at 4.46m, was the lowest* since 1987, but the number of unit trust companies had risen 13 *per cent in the meantime, to 157.*

"It is no secret that there is overcapacity in this business," said Mr Ian Jocelyn, senior consultant at Touche Ross Management Consultants which recently analysed the unit trust industry.

Its study found that more than half of unit trust companies were operating at a loss or were earn*ing less than 5 per cent profit on* income.

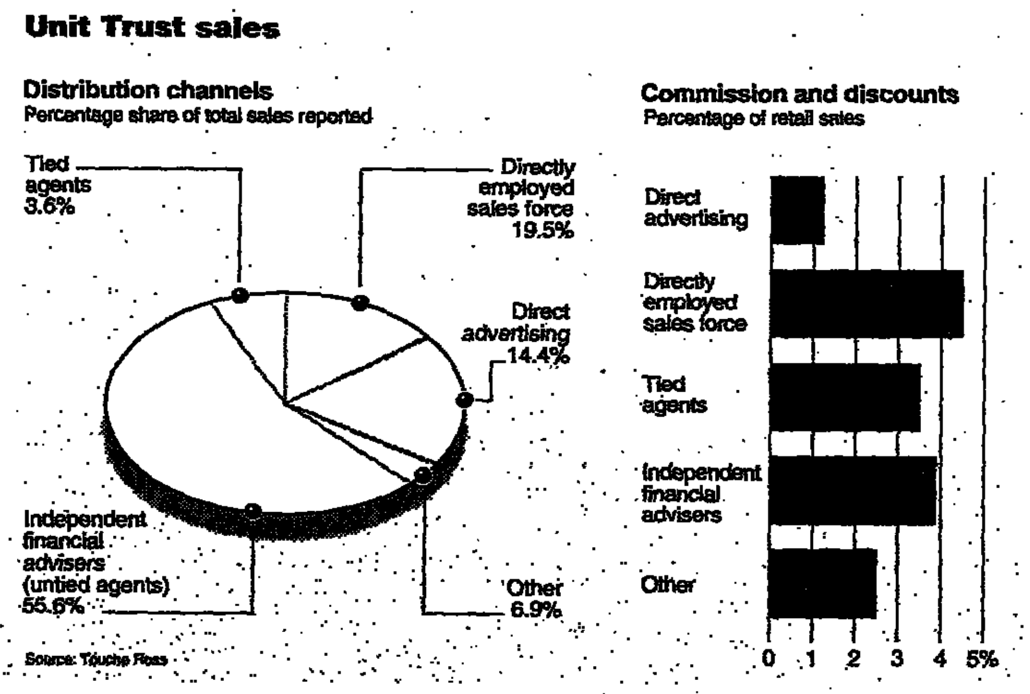
Mr Jocelyn said that, to survive, *unit trust companies must* build bulk, either by increasing sales or by merging. Investment trusts have a different cost structure, but face the same pressure to generate economies of scale.

Faced with the choice of selling *more or merging, M&G,* Britain's largest independent unit trust company, is following the first approach: it is overhauling its sales methods.

The second approach has *appealed to Henderson Administration,* one of the main independent fund management compa*nies, which is close to acquiring* investment trust manager Touche Remnant. Together, the *two account* for 10 per cent of the UK's investment trust market.

For M&G, the need for higher sales is underlined by figures from Datamonitor, a market research firm. These show that M&G's market share has fallen in 1992 to 7.92 per cent, from 8.62 per cent five years before.

Unit Trust sales



The group's chief executive, Mr Paddy Linaker, is considering for *the first time the establishment* of a direct sales force; he has recruited a sales chief from Allied Dunbar, *one of the* Britain's hardest selling life insurers.

Mr Linaker says the company's sales efforts will be aimed at improving the servicing of M&G's network *of* independent financial advisers (IFAs) who account for two-thirds of its unit trust sales and almost all its life and pensions products.

M&G already accounts for about 15 per cent of all unit trusts sold through IFAs; a formidable percentage. Mr Linaker says that, in the long term, he is concerned about the ability of the IFA sector to keep pace with the increasing competition from direct sales agents and so-called *tied agents, often building societ*ies who sell the products of one company exclusively.

M&G's shift of strategy emphasises the increasing difficulty unit trust groups are having in *containing the costs of distribu*tion. The Touche Ross report concluded that all of the unit trust *industry's sales methods – inde*pendent financial advisers, direct sales agents or tied agents – are carried out at a loss. Simply put, this means that the costs of making a sale are exceeded by the charges levied on customers for it.

The only way to remain profitable in these circumstances is to increase funds under management and keep each customer longer. That way, annual fees may rise enough to offset the losses incurred *on each sale. If* sales cannot be increased, then merger may be necessary.

There have been no recent mergers of unit trust managers, but the industry is alive with *suggestions that, for some* groups, such deals may be the only escape from the profitability squeeze.

For investment trust managers, by contrast, distribution costs are not such a headache. Their products, which take the form of shares in publicly quoted investment vehicles, are largely distributed by *stockbroking firms*, at much lower cost.

The drawback of this approach is that *it makes* it hard to raise fresh funds for investment trusts when the stock market is weak. That keeps investment trust groups from growing large enough to achieve the necessary *economies of scale.*

Henderson and Touche Remnant have sought to avoid this *problem by combining to form* a bigger group with lower cost ratios.

Touche Remnant has had an uneasy relationship with its parent company, Société Générale *since it was acquired three years* ago.

Funds under management at Touche Remnant have fallen, disappointing the French bank, while Touche Remnant feels it has made little headway in selling its products in Europe. Touche Remnant had decided that if the relationship with SocGen ended, there was no real hope of going it alone.

Henderson has also been losing volume: in the six months ended March 31, 1992, it experienced a *six per cent drop in funds under* management, although profitability rose. The company's poor *investment performance in the* late 1980s has seen the number of its pension clients fall to 168, from 246 in 1987.

The company has fought back by achieving above average investment performance during *the past three years and by enter*ing into a series of joint ventures and acquisitions. Several of *Touche Remnant's investment* trusts have shown above average performance and Henderson is *hoping to capitalise* on TR's investment expertise.

The dilemma common to both *unit trust and investment trust* managers is this: to achieve adequate profitability, you must sell enough of your products at an acceptable cost. Unit trusts have achieved relatively high volumes, but at a cost which risks becoming increasingly *unacceptable.* Investment trusts, by contrast, have tolerable distribution costs – *but cannot generate the vol*umes they need. For independent fund managers in both sectors, the *writing on the wall is clear:* only the big survive.

SocGen poised to sell UK group

By Philip Coggan in London and Alice Rawsthorn in Paris

HENDERSON Administration said yesterday it was *close to* buying fellow fund management company Touche Remnant from *the French bank Société Générale.* The combined group would have more than £9bn ($16bn) of funds under management and would be the largest manager in the UK investment trust sector.

The proposed deal may herald rationalisation in the UK fund management sector, where companies have fought sluggish *stock markets* and lack of enthusiasm by private investors in recent years.

Société Générale, one of France's largest banks, bought Touche Remnant in 1989 for £50m with the intention of using the company as a base from which to expand into the UK unit trust market. The deal was *one of a number in the late 1980s* where European banks bought UK fund management expertise.

The bank said it had decided Touche Remnant no longer had the necessary critical mass needed *in fund management.* "There has been a significant reduction in activity within UK *unit trusts over the past three* years," it said.

The French bank said yesterday that the deal *was* at "an advanced stage" and was scheduled for completion on November 23, subject to the approval of Henderson's shareholders.

No price has been agreed; it seems unlikely that *Société Générale* will make a profit.

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Windows takes Microsoft to 45% first-quarter increase

By Louise Kehoe in San Francisco

MICROSOFT, the *US software* group, yesterday reported a 45 per cent increase in first-quarter *earnings to outperform* Wall Street expectations after being boosted by strong sales of the Windows personal computer *soft*ware program.

Net income for the quarter rose to $209m, *or 70 cents per share,* from $144m or 50 cents per share last year. Revenues were $818m, up from $581m.

Microsoft's growth reflects booming sales of personal com*puters in the US driven by lower* prices. *It* has proved to be one of the few companies to benefit from the price war among PC manufacturers.

The quarterly results "reflect continued acceptance of the Win*dows operating system", said* Mr Frank Gaudette, executive vice-president and chief financial *officer. Windows provides on*-screen graphics which make personal computers easier and faster *to use. It is rapidly replacing* Microsoft's DOS as the most widely used operating system.

Sales of applications programs for the Apple Macintosh and the Microsoft Windows operating system were *also strong, Mr* Gaudette said. Total revenues for applications for Windows were *118 per cent* greater than in the same period last year.

Microsoft is preparing to *launch a new high-performance* version of Windows, called Windows NT, next spring. This will incorporate *features that take* advantage of the higher performance of the latest microprocessor chips.

Microsoft said its research and development costs rose to $105m in the quarter, against $74m in *the same period last year.* Sales and marketing costs advanced to $264m from $178m and general *and administrative costs* from $21m to $25m.

Founded in 1975, Microsoft has become the *largest* producer of software for personal computers worldwide.

Its success has brought enormous wealth to company founder Mr Bill Gates who is listed this year by Forbes *magazine* as the richest person in the US, with assets estimated at $6.3bn.

However, *Microsoft's dominant* role in the software industry has also attracted the attention of the Federal Trade Commission which is conducting an anti-trust investigation of the company's activities.

C&J Clark compromise planned

By Peggy Hollinger in Somerset

DIRECTORS at C&J Clark were last night working on a compromise agreement to end the two-*month-long row at Britain's* largest shoe manufacturer.

The compromise could come in time to avert the extraordinary general *meeting* called by four board members to unseat Clark chairman Mr Walter Dickson.

A 10-point proposal was put forward by the rebel directors yesterday afternoon which would leave Mr Dickson and non-executive director *Mr James Power in* position.

If agreement is reached, the EGM is likely – at the very least – *to be postponed until the* annual meeting in April.

Solicitors and directors were working to reach a compromise by this evening – the latest the *company could reasonably warn* its 4,000 shareholders around the UK that the EGM had been cancelled.

The compromise proposed by the requisitionists – so named for calling the EGM – made postponement of the meeting conditional on several points. These are believed to include the formation of an independent bid committee, *chaired by an executive* other than Mr Dickson, to review any future offer for Clark. The condition was made in light of *the talks over* a possible *bid* by management consultant Mr Colin Fisher backed by Electra Investment Trust, who said Mr Dickson and Mr Power would remain if a bid succeeded.

The requisitionists are also believed to have *set out* conditions for the conduct of any *future dispute between directors* of the company.

The row has thrown Clark, an intensely private company controlled by an extended Quaker family, into the glare of publicity. Both sides have hired advisers for the dispute, incurring heavy costs in a company with falling profits. In August, the chairman warned that pre-tax profits would be lower *than* last year's per cent £20.4m ($36m) and the interim dividend was cut.

The proposals are also believed to include a suggestion to devolve power within the board. One of the areas of friction has been the increasing influence of non-family members on the board. Mr Dickson is only the second non-family member to *chair the 167-year-old firm.*

Directors warn MGN may not be sold for two years

By Raymond Snoddy in London

MIRROR Group Newspapers (MGN), publisher of the UK's Daily Mirror, may not be sold for up to two years, senior directors believe.

Executives of the company, which was hit badly by "the misappropriation of assets" before the death of Mr Robert Maxwell, made clear yesterday they were managing the business for the longer term.

Signs of stability were underlined by pre-tax profits of £15.3m ($26.08m) for the six months to June on a turnover of £233.7m. Earnings per share were 2.6p, against 8.3p last time. No dividend is being paid, nor is one likely before June 1994. The share price fell 2p to close at 63p yesterday.

"This is not a drama exercise but it is a story we are proud of. The first half in the circumstances has been very good," said Sir Robert Clark, the MGN chairman.

Sir Robert said no comparisons could be made with the first half of 1991 because the figures were believed to be unreliable, but the pro-forma figures for the year to December 1991 showed the group had pre-tax profits of £50.9m.

Operational profit was £49.4m but this was reduced by a £22.8m net interest charge, £2.3m in losses from a stake in Donohue, the Canadian forest products group and an allowance of £9m towards the deficit in the Mirror pension fund.

Net borrowings, including lease finance for the new presses to be installed at the Daily Record's Anderston Quay headquarters in Glasgow increased from £398.4m at the end of 1991 to £422.7m in June. The majority of short-term borrowings have been replaced by longer-term debt.

Mr John Talbot, the Arthur Andersen administrator, would only repeat statements that the Mirror stake was not for sale at present.

There is board level speculation at MGN that the company may not be sold but shares could be offered rather as the Wellcome Trust sold 20 per cent of the Wellcome drug company.

Combined circulation of the Daily Mirror and The Daily Record stayed ahead of their rival The Sun, but Mr Vic Horwood, MGN chief executive, conceded that in September the Sun had edged ahead.

Mr Derek Terrington, publishing analyst at Kleinwort Benson, said yesterday he expected full-year pre-tax profits of £35m.

Lyons Maid parent requests bank to call in receivers

By Maggie Urry in London

MR HENRY D. Clarke Jr's hopes of building a UK ice-cream empire faded yesterday when Clarke Foods, which he chairs, asked National Westminster Bank to call in administrative receivers.

Mr Ipe Jacob and Mr Neil Cooper of Robson Rhodes were appointed, and Mr Jacob said he was optimistic that the company would survive through a restructuring or being sold as a going concern.

A number of interested parties have already contacted him and Guinness Mahon, Clarke's merchant bank. Guinness Mahon is working on a voluntary arrangement with Clarke's creditors.

Clarke, which owns Lyons Maid, is the second largest UK ice-cream maker after Unilever, which owns Wall's. Clarke employs 650 people of whom 100 were made redundant yesterday.

Its shares, quoted on the Unlisted Securities Market, were suspended at 8p ten days ago as the company sought an equity injection. It had been trying to arrange an overdraft facility with NatWest to provide working capital finance but needed to secure further equity finance first.

The receivership is expected to cause a £7.6m ($12.92m) extraordinary write-off at Hillsdown Holdings, the food group, which sold three ice-cream businesses to Clarke in March 1991 for £10.35m, taking an equity stake in return.

Allied-Lyons, the brewing and food group which sold Lyons Maid to Clarke for £12m at the end of last year, is still owed £4.5m.

Both Hillsdown and Allied-Lyons said that they had sold their ice cream businesses to Clarke because they were not core activities and they were not potential buyers.

As well as trade creditors, Clarke's debts include a £3m term loan from NatWest, £2.5m drawn under an invoice discounting facility, £5m of finance leases from Alfa-Laval, from which Clarke had bought the new equipment, and the £4.5m loan note from Allied-Lyons.

Hoogovens may stop making 'long steel' products

HOOGOVENS, the Dutch steel group, may stop making long steel products, according to Mr Aad van der Velden, a member of the board, Reuter reports from Amsterdam.

"There are various possibilities," Mr Van der Velden said. "You can stop production or start working on the basis of scrap... But it is clear that we are not investing any more in long products," he added.

Hoogovens has forecast losses of several hundred million guilders in 1992, but expects to return to profit in 1993.

Ciba-Geigy sales slip in third quarter

By Ian Rodger in Zurich

CONSOLIDATED sales of Ciba-Geigy, the Basle-based chemical and pharmaceutical group, fell 3.6 per cent in the third quarter to SFr4.87bn ($3.75bn) due to the strong Swiss franc and depressed conditions in some businesses.

The group said it nevertheless expected for the full year "an increase in profits thanks to good development of business in the health care and industry sectors and consistent cost management".

For the nine months, group sales rose 7 per cent to SFr17.13bn. There was no distortion from currency conversions.

Sales of the pharmaceutical division, the largest in the group, rose 16 per cent to SFr4.7bn.

The other health care businesses posted increases of between 9 and 14 per cent.

Sales of the agriculture division division were flat at SFr4.1bn, with the plant protection business down 9 per cent to SFr3.5bn.

ESFH revenue up 200% after six months

ESPIRITO Santo Financial Holding (ESFH), the Luxembourg-based banking arm of Portugal's Espirito Santo group, reported a 200 per cent rise in operating revenue to $132.6m for the first six months, compared with $41.6m in the same period in 1991, writes Patrick Blum in Lisbon.

The sharp rise is mainly due to the consolidation of the accounts of Banco Espirito Santo e Comercial de Lisboa (BESCL), the Portuguese commercial bank which was taken over by the group when it was fully privatised last February.

ESFH net income was $18.6m, up from $17.8m for the same period in 1991. The small increase is attributed to the costs of financing the acquisition of BESCL.

Strong profits growth at Huhtamäki

By Robert Taylor in Stockholm

HUHTAMAKI, the Finnish consumer products group, announced yesterday a 165 per cent growth in profits (after financial items) to FM281m ($59.97m) in the first eight months, compared with FM105m in the previous corresponding term.

Net sales rose 9 per cent to FM4.3bn, while operating income climbed by 77 per cent to FM403m.

Earnings per share were FM7.38, up 169 per cent.

The company expects profits to remain favourable for the rest of the year, although strong profits growth would slow and the markka's depreciation would increase financing costs slightly, it said.

The company's three main areas of international operations are confectionery (through the Leaf group), accounting for 60 per cent of net sales and making it one of the world's top 10 confectionery producers; food and beverage packaging in the Polarcup group; and pharmaceuticals, via its Leiras business.

Huhtamäki's expansion strategy began in 1983 when it doubled in size through the purchases of three US-based enterprises - Leaf Confectionery, Beatrice Food and the Donruss division of General Mills. These moves transformed the company from a group with no foreign export markets beyond the Soviet Union into an international conglomerate.

HUHTAMAKI'S PERFRORMANCE SINCE 1987

	1987	1988	1989	1990	1991
Profit after financial items (FMm)	195.6	152.0	201.8	236.8	251.0
Net sales (FMbn)	4.380	4.440	5.489	5.779	5.898
Capital expenditure (FMm)	222.2	292.8	299.6	443.9	455.4

Over the past nine years the company has made 40 acquisitions, at a gross cost of FM3.2bn, and 25 divestments, relieving its net financial burden by FM1.5bn.

In March, it completed its move out of food production by divesting its 50.1 per cent holding in the Jalostaja food business to Finnish Unilever.

This was followed last July by the transfer of the non-alcoholic and alcoholic beverages business Marli to the Finnish alcohol group Rettig, in exchange for Rettig's lozenges business.

Most of the company's FM2.6bn investment programme has been directed into the North American confectionery business.

This has meant six plant closures and the concentration of production in Memphis, Denver, St Louis and Centralia, with a cut to 2,300 from 2,800 in its US workforce. Two-thirds of its confectionery turnover comes from these operations.

Mr Timo Peltola, chief executive, says that Huhtamäki wants to position its products in "segments of the market where they do not compete head-on with major brands and manufacturers."

A similar pattern can be found in the company's Polarcup packaging group, which accounts for 21 per cent of net sales and 15 per cent of operating earnings. In the first eight months, net sales rose by 37 per cent, helped by the acquisition of the US Sweetheart company.

Polarcup has avoided producing corrugated board and flexible packaging in order to concentrate on single-use food services and paper and plastic packaging for dairies and ice cream makers.

In those markets the company has achieved substantial sales in the Nordic region and central Europe, and also around the Pacific rim.

The Leiras pharmaceutical group is the smaller of the company's three core areas, with a 34 per cent growth in its exports to FM224m, or 47 per cent of total sales.

Mr Peltola sees potential for substantial growth in this sector. Two million women, for example, already use the company's Norplant contraceptive implant.

Over the past two years Huhtamäki has undergone a period of consolidation. This may not last much longer, though growth will remain firmly inside the company's three designated areas.

Kone rises 19.6% to FM240.6m

By Christopher Brown-Humes in Stockholm

KONE, the Finnish elevators group, yesterday reported a 19.6 per cent increase in pre-tax profits to FM240.6m ($51.35m) for the first eight months.

The result compares with FM201.1m in the same 1991 period, and was achieved on an 11 per cent increase in sales to FM6.2bn. Operating profits before depreciation rose to FM548.5m from FM499.3m.

Kone said its elevators business increased sales by 10 per cent, giving it a 72 per cent share. Kone Wood lifted sales by more than 50 per cent and MacGregor-Navire, the marine technology division, by 23 per cent.

New orders during the period were worth FM5.4bn, up 17 per cent from a year earlier. This took the value of the group's order book at the end of August to FM6.8bn, up 12.5 per cent.

Kone said it expected a "satisfactory" development in its financial result in the final four months, with sales and the value of orders received for the year as a whole higher than last year's levels. The company is in talks to acquire a stake in Pragolift, Czechoslovakia's second biggest lift manufacturer.

Unitas pulls out of Skopbank talks

By Christopher Brown-Humes

UNITAS, the Finnish holding company of the Union Bank of Finland, has abandoned negotiations to buy Skopbank from the government's bank guarantee fund.

The news leaves Skopbank's fate looking increasingly uncertain.

Unitas was the last of those which had shown in interest in buying the bank still to be in discussions.

The move also surprised banking analysts, who had believed the talks were going well as recently as last week.

Unitas declined to say why the talks had broken down.

The banking group had hoped that the proposed purchase would eventually lead to a broader collaboration with some of Finland's savings banks, as Skopbank is the central bank in the savings bank system.

Skopbank, which was the country's fourth-largest bank, had to be rescued by the Bank of Finland in September 1991 to prevent it collapsing.

In June, the Bank of Finland sold its holding in Skopbank to the government guarantee fund.

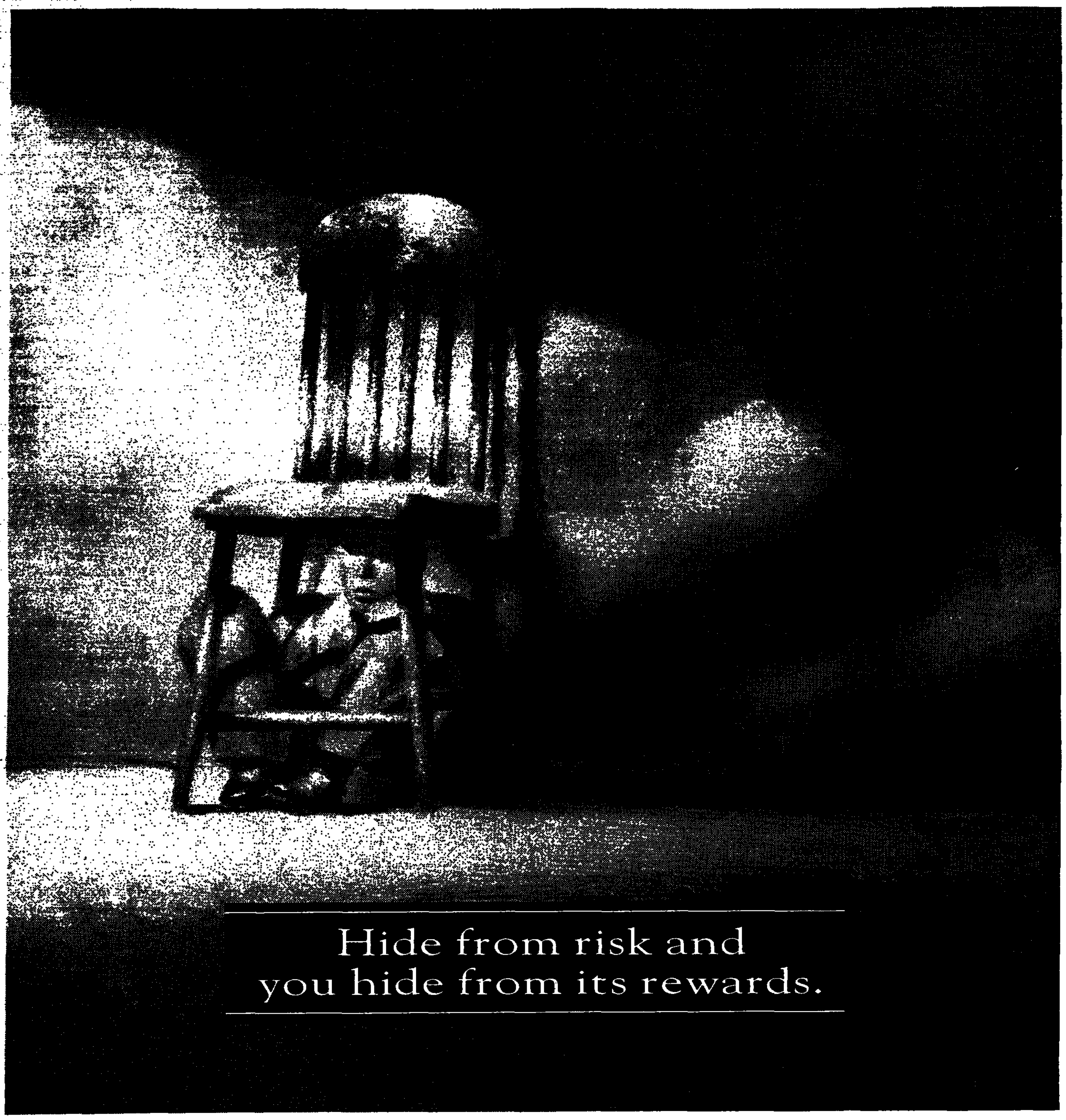
Euroc earnings tumble 75% to SKr27m

EUROC, the Swedish building materials group, yesterday reported a 75 per cent fall in profits to SKr27m ($4.88m) for the first eight months, due to a sharp decline in its main markets and stiffer price competition, writes Christopher Brown-Humes.

Sales fell to SKr6.19bn from SKr6.91bn, mainly reflecting lower sales in Sweden and the UK. The company suffered an extraordinary loss of SKr270m on the July sale of its stake in Valenciana, the Spanish cement and ready-mix company.

This meant the group made an overall pre-tax loss of SKr243m for the period, compared with a SKr260m profit in the first eight months of 1991.

The group is implementing a rationalisation programme to counter the impact of depressed markets, and expects to cut its 1992 fixed costs by around SKr330m.



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Primerica posts profit up 34%

By Patrick Harverson in New York

PRIMERICA, the diversified US financial services group, yesterday announced a 34 per cent increase in third-quarter profits to $165m, or $1.46 a share.

Overall revenues, however, fell from $1.3bn a year ago to $1.2bn. Primerica was able to post a strong increase in profits because of lower expenses and investment portfolio gains of $28.3m during the quarter.

The company said the one-off investment gains were part of a restructuring which included a reduction in Primerica's exposure to early paydowns of mortgage-backed securities, designed to maximise the portfolio's long-term return.

The best performance came from consumer finance services, which posted a 9 per cent increase in earnings to $50m, thanks primarily to reduced costs and lower loan loss provisions. Credit quality improved during the quarter, with loan delinquencies and charge-offs both down on a year ago.

Insurance services brought in net income of $45.2m, slightly less than in 1991. Sales of new life insurance were flat, but mutual fund sales improved.

Earnings at the group's Gulf insurance property and casualty operations were $6m, up from a year ago even though the unit set aside $2m to cover losses from Hurricane Andrew.

Smith Barney, Primerica's securities brokerage subsidiary, saw earnings drop slightly to $33.4m, with lower trading results, lower net interest income and higher expenses offsetting gains in brokerage production, investment banking and asset management fees.

The fall in Smith Barney's profits was expected in the wake of the recent slowdown in stock market activity.

Corporate expenses fell sharply to $11.6m in the quarter, due to declining interest rates and lower debt levels.

Primerica's earnings were in line with expectations, and its shares eased $¼ to $42¼ on the New York Stock Exchange.

Sprint goes ahead as volume of calls rises

By Martin Dickson

SPRINT, the third-largest long-distance telecommunications group in the US, yesterday reported an 18.5 per cent increase in third-quarter net income, helped by record long-distance volume and operating income.

Net income was $115m, or 52 cents a share, on revenues of $2.33bn, compared with income of $97m, or 44 cents a share, in the same period last year on revenues of $2.21bn.

The latest figures excluded a $6m charge for the early retirement of debt.

Long-distance operating income was $94m, up from $90m a year ago, mainly because of increased revenues, which grew 6.2 per cent from the third quarter of 1991, to $1.43bn, and 3.9 per cent, compared with the second quarter of this year.

Long-distance use was up 6.9 per cent on a year ago and 3.2 per cent compared with the second quarter.

The company attributed the increases to "marketing and product strengths and operational improvements developed over the last several quarters".

For the nine months, the group reported net income of $309m, or $1.40 a share, compared with $269m, or $1.23 a share in 1991.

Honeywell doubles income after settling patent dispute

By Martin Dickson in New York

HONEYWELL, the US controls group, yesterday reported third quarter net income nearly doubled, but the increase was due to special gains from the settlement of a legal dispute.

The company made $170.5m, or $2.46 a share, compared with $79.1m, or $1.13, in the same quarter of last year.

The latest figures included a $91.6m, or $1.32-a-share, after-tax gain from the settlement of a long-running patent dispute with camera manufacturers over Honeywell's invention of an automatic focusing device. They also included a $5.5m extraordinary loss from early redemption of long-term debt.

Operating profits declined from $178m to $169.1m on sales which rose 4 per cent to $1.55bn from $1.49bn.

The company's home and building controls division produced operating profits of $58.2m, down from $62.9m. It said this was due primarily to accelerated investment in new building automation products and the start of a process to streamline the North American field organisation. Sales rose 9.8 per cent to $601.8m.

The industrial segment produced profits of $48.4m, down from $53.1m, on sales 10.7 per cent higher at $432.2m. Margins were down on the same period of last year as customers deferred purchases of industrial process systems.

Space and aviation saw a 6.5 per cent rise in operating profits to $62m on sales which dropped from $509.7m to $477.4m. Margins improved largely because of cost control measures and a favourable sales mix in military avionics.

For the nine months, Honeywell reported income of $372.4m, against $228.5m in the same period of last year, helped by $164m of after-tax patent gains, partly offset by the $5.5m extraordinary loss and $19.3m of after-tax cost-cutting provisions.

Amdahl to shed some 900 jobs

By Louise Kehoe in San Francisco

AMDAHL has become the latest US computer-maker to cut jobs. The California-based mainframe computer company is to reduce its workforce by about 9 per cent, or some 900 people, next month.

It said the cuts were "in response to a recent decline in demand for the company's mainframe computers". Last month Amdahl said it expected a loss for the third quarter.

"We are witnessing a curtailment of capital expenditures and a deferral of customer buying decisions because of the difficult economic times," said Mr Joseph Zemke, president and chief executive.

Boise Cascade extends losses

By Karen Zagor in New York

BOISE Cascade, the US forest products group, yesterday posted a third-quarter deficit but said its underlying losses had started to reduce.

For the three months to September 30, the company recorded a net deficit of $35.2m, or $1.11 a share, compared with $14.3m, or 47 cents. Excluding extraordinary items, Boise lost $1.24 a share last year.

Sales fell to $935m in the quarter from $1bn last time.

Boise, based in Idaho, is still being hit by weak paper prices but said there were some signs of improvement.

Mr John Fery, chairman and chief executive, said order backlogs in pulp and paper were relatively firm and the company had announced price increases in some key grades.

"This emerging trend of improvement, assuming it continues, combined with continuing cost-reduction efforts under way in the company, should lead to further improvement in performance," he said.

Westinghouse hit by $155m provision

By Karen Zagor

WESTINGHOUSE Electric, the US conglomerate, turned in third-quarter net income of $14m, or zero cents a share, on essentially flat revenues of $3.4bn, reflecting a sharp drop in order rates and a big provision largely for losses related to an investment in Phar-Mor.

The $155m pre-tax third-quarter provision included $100m for the Phar-Mor investment, and covered increased credit reserves and valuation allowances at Westinghouse Financial Services.

A year earlier, Westinghouse had a third-quarter net loss of $1.48bn, or $4.86 a share, including charges of $1.68bn.

Analysts had expected third-quarter earnings to fall below second-quarter levels of 35 cents a share, but the erosion was greater than expected.

Westinghouse continues to suffer from the impact of the weak US economy on many of its sectors, but its financial services operations have been its greatest weakness.

Gaming boosts Hilton results

By Nikki Tait in New York

STRONG results from its gaming business helped Hilton Hotels, the US lodging company, post a 21 per cent increase in after-tax profits, at $22.8m.

Earnings per share were 48 cents, compared with 39 cents a year earlier, while sales advanced by 17 per cent to $323m.

In terms of operating profits, the gaming division showed a 34 per cent advance to $39.9m.

Hilton said all four of its Nevada properties had higher profits, and the results were augmented by the recently-acquired Reno Hilton.

The hotel side also benefited from the discount air fares available throughout the summer, which encouraged tourist travel.

In general, Hilton said that it saw higher occupancy rates – percentage occupancy in its owned or managed hotels rose from 68 to 70 – but admitted that average room rates were slightly lower.

The results from its Hilton Hawaiian Village property were also disappointing, with Japanese tourist travel depressed and Hurricane Iniki also hurting business.

With conditions in New York City remaining "difficult" and the company incurring start-up costs on the refurbished O'Hare Hilton in Chicago, the hotel division overall saw operating profits fall by 5 per cent to $18.9m.

The third-quarter results bring after-tax profits to $163.5m for the first nine months, a 27 per cent improvement on the $129m seen in the same period of 1991. Sales are up by 8 per cent, at $894.1m.

Bidder for Continental Airlines withdraws offer

By Nikki Tait

ONE OF the potential bidders for Continental Airlines, the US carrier which has been operating under Chapter 11 bankruptcy protection since late 1990, has withdrawn from the running.

Benefit Concepts, a New York-based firm which was designing an offer which utilised employee stock ownership plan debt in conjunction with former executives of the airline, said it was abandoning the effort because of Continental's refusal to supply confidential financial information.

So far, three outline investment proposals – from Mr Hurwitz's Maxxam group, from Mr Alfredo Brener's Houston Air, and from Air Canada in conjunction with a Texan investment partnership – have met the qualification requirements.

A deadline of November 9 was for proposals.

Nintendo and Sony in deal

By Louise Kehoe

NINTENDO, the Japanese video games manufacturer, has reached an agreement with Sony of Japan under which Sony will manufacture and market a new version of Nintendo's popular television video game system incorporating a compact disk memory system.

The new system will play existing cartridge games as well as new ones stored on CD-Rom (compact disk-read only memory) disks. Nintendo plans to make and market a compact disc accessory to attach to its "Super NES" game.

The Nintendo CD-Rom system is tentatively scheduled to be launched in the US and Japan in August 1993.

Operations overseas lift Polaroid 25%

By Karen Zagor

POLAROID, the US maker of instant cameras, yesterday reported a 25 per cent improvement in third-quarter operating profits on sales which rose by 8 per cent.

The company is benefiting from strong overseas business and a favourable exchange rate.

Net income comparisons for the quarter were, however, distorted by an extraordinary pre-tax gain of $925m a year ago from the settlement of litigation with Eastman Kodak.

Including one-time items, Polaroid had net earnings of $27.7m, or 59 cents a share, compared with $582m, or $10.47, a year earlier.

Operating profit stood at $59.2m in the latest quarter, against $47.2m last year while sales advanced to $514.1m from $474.6m.

Overseas sales climbed nearly 22 per cent in the quarter to $239.2m from $196.5m.

INTERNATIONAL COMPANIES AND FINANCE

News Corp expects debt upgrade

By Kevin Brown in Sydney

NEWS Corporation expects credit rating agencies to upgrade its debt to investment rating within six months, Mr Rupert Murdoch, chairman and chief executive, told shareholders at the annual meeting.

Mr Murdoch said the international media group's bank debt had been "dramatically reduced" to bring debt maturities in line with operating cash-flow, which would cover all future bank debt repayments.

He also said the group was negotiating a new bank loan at a lower rate of interest to spread debt maturities. "That is something that will come in the next few months," he said.

Mr Murdoch said News Corp was on the way to "the high road financially". However, he said the group expected zero economic growth this year in the US, the UK and Australia.

"We are very bearish about the economic outlook. We are not planning at any point for any improvement in business conditions. We are working on the assumption of zero growth in all the economies in which we are operating," he said.

News Corp recently reported a 65 per cent increase in net profits to A$531m (US$379m) for the year to the end of June, demonstrating a dramatic improvement in profitability since the completion of a A$7.6bn refinancing in February last year.

Mr Murdoch said he was unable to confirm analysts' forecasts that News Corp would double its profits in the current financial year. However, he said the downward path of interest rates and the improving profitability of core businesses made him "very confident" of the group's future performance.

"We ran down a long way, we fought our way back and we expect to have an investment grade rating ... within six months," he said.

Rupert Murdoch: Bearish about economic outlook

News Corp last month announced a twin-pronged debt reduction programme consisting of a worldwide issue of 40m ordinary shares to raise US$690m and a US$1bn issue of senior debt securities.

Moody's Investors Service recently upgraded ratings for some of News Corp's long-term debt, and the group has been placed on creditwatch for a positive upgrading by Standard and Poor's. Mr Murdoch said the the US would continue to provide the largest share of News Corp profits.

Twentieth Century Fox, the group's film-making arm, expected to release several successful films over the next six months.

Mr Murdoch said News Corp's five national UK newspapers were doing well despite the difficult economic climate.

"We don't like to admit that the current recession is any excuse for not doing very well," he said. "But let me tell you times are pretty tough in Britain at the moment."

NAB chief warns of withdrawing BNZ bid

By Terry Hall in Wellington

NATIONAL Australia Bank (NAB) may withdraw its NZ$1.5bn (US$813m) bid for Bank of New Zealand (BNZ) if there is a public inquiry into the target bank, Mr Don Argus, NAB chief executive, said yesterday.

He was responding to demands for an inquiry into BNZ's operations and alleged secret deals between 1986 and 1991, for which the bank disclosed losses of at least NZ$2.5bn requiring taxpayer support.

Mr Argus said similar inquiries into Australian banks had been costly, debilitating, and had seen these banks lose their way.

He said an inquiry into BNZ had the potential of severely damaging its franchise in the New Zealand market and its value to NAB. It might force NAB to decide to "go home. But I hope commonsense prevails, and no enquiry is held".

Mr Argus' comments are similar to those made by Mr Lindsay Pyne, BNZ chief executive, who on Monday warned that the campaign was putting the bank at "risk".

The New Zealand Securities Commission will today review its previous decision that there was no need for an inquiry.

The campaign for an inquiry began late last year following the sacking of the former minister of Maori affairs, Mr Winston Peters, who has since become a critic of the government.

Mr Peters has led a high profile public campaign to force the government to hold an inquiry into BNZ. He has released a steady stream of leaked documents in parliament, alleging misdemeanours by directors and others.

A key target for Mr Peters' campaign is the prime minister, Mr Jim Bolger, who since the 1991 election has refused to hold an inquiry.

On Monday, Mr Pyne, in a bitter attack on Mr Peters, said an inquiry would undo the three-and-a-half years spent rebuilding the bank, would cost up to NZ$30m and last up to 18 months.

Worldwide demand gives Motorola 38.7% advance

By Louise Kehoe in San Francisco

MOTOROLA, the US electronics manufacturer, reported a 38.7 per cent jump in third-quarter earnings, boosted by strong demand across several product segments in international markets.

Net earnings for the period rose to $129m, or 97 cents a share, from $93m, or 70 cents, in the same quarter last year. Revenues rose 24 per cent to $3.4bn from $2.75bn.

Motorola said sales of its semiconductor products advanced 24 per cent to $1.5bn in the quarter. Orders increased in the Asia-Pacific region, Europe and the Americas, but were flat in Japan.

In the communications segment, sales were up 20 per cent to $1.04bn, while computer systems sales jumped 42 per cent to $932m. The company said demand for its digital wireless communications products rose in Asia and the Pacific regions as well as Europe.

"The order growth in most of our businesses makes us optimistic about the future," said Mr George Fisher, chairman. "About half of our sales are in international markets, and we are seeing especially robust results in the Asia-Pacific region outside of Japan."

"While worldwide macroeconomic signals remain mixed, the outlook for growth in the product markets we serve is brighter."

The company said domestic orders rose in all major markets except the government, where electronics group's sales declined 5 per cent.

For the first nine months, earnings increased to $402m, or $3.02 a share, from $328m, or $2.48 cents in the corresponding period last year. Sales were $9.59bn, against $8.3bn.

Posco opened to foreign stakes

By John Burton in Seoul

SHAREHOLDERS of Pohang Iron and Steel (Posco), the South Korean steelmaker, yesterday approved a proposal to allow foreigners to acquire up to 8 per cent of the state-affiliated company.

Individual foreign investors will not be allowed to have a shareholding of more than 1 per cent under the amended by-law, which becomes effective today.

The Korean government, which controls 35 per cent of Posco, opened the company to foreign investment to try to revive the country's sluggish stock market by attracting more capital from abroad.

The extraordinary shareholders' meeting also approved the appointment of Mr Hwang Kyung-ro, the vice-chairman, as the Posco chairman. He replaces Mr Park Tae-joon, who resigned last week for political reasons and becomes honorary chairman.

Mr Chung Myung-sik, Posco president, was promoted to vice-chairman, while Mr Park Tuk-pyo, vice-president for strategic planning, will become president.

Mr Hwang said his goal was to make Posco the world's biggest steelmaker by 1996 by increasing exports, which now account for 30 per cent of the company's production.

Export growth will focus on south-east Asia, already Posco's second-largest foreign market after Japan, and China.

Posco will also build a steel plate mill in Shanghai and steel service centre in Dalian.

Analysts predict that Posco's sales and earnings will remain flat this year, but profits could grow by 40 per cent next year to Won210bn as financial costs decrease due to the completion of the company's production facilities.

Earnings at PepsiCo climb 22%

By Nikki Tait in New York

PEPSICO, the large US beverage, snack foods and restaurant group, yesterday unveiled a 22 per cent advance in after-tax profits for the third quarter to September 5.

Net income rose to $425.7m, with earnings per share increasing by 20 per cent to 53 cents. Sales were up by 16 per cent at $5.64bn.

PepsiCo said all its main lines of business showed "solid double-digit growth".

Sales advanced by 11 per cent on the beverage side, with operating profits improving by 20 per cent; in snack foods the figures were 23 and 93 per cent respectively; and in the restaurants division, there was a 15 per cent sales gain and a 17 per cent advance in operating profits.

Sales and profit growth was primarily driven by acquisitions which included buy-outs of the company's joint venture partners at Hostess Frito-Lay (Canada) and Arnotts (Australia).

Profits for the first nine months of the year were $1.1bn after tax, 30 per cent up on the same period in 1991.

Arnotts shares soar after offer

By Kevin Brown

SHARES in Arnotts, the Australian biscuit-maker, jumped by A$1.15 to A$9.15 yesterday, suggesting that an offer of A$8.80 a share by Campbell Soup, the US foodmaker, was too low to attract most major shareholders.

However, analysts said the offer, which values Arnotts at A$1.2bn (US$0.85), may be sufficient to increase Campbell's shareholding from 32.9 per cent to 50.1 per cent, subject to approval from the Foreign Investment Review Board (FIRB).

Mr David Johnson, Campbell chief executive, said the offer was fair, and ruled out a higher bid. He described suggestions by Arnotts' adviser that the company was worth A$12 a share as "unreasonable".

The board of Arnotts confirmed that directors would make no official comment on the bid until after a board meeting today. However, Mr Sandy Dawson, a shareholder and former chief executive, said the offer was too low.

Mr Dawson suggested Campbell would dispose of its shareholding at a substantial profit if the bid stimulated a rival offer from another company. However, analysts said Campbell was unlikely to withdraw.

Campbell says it wants to use Arnotts to launch a range a biscuits in the growing markets of south-east Asia, but needs full control to justify making available technical and marketing skills.

Nissan strengthens Bosch alliance

By Charles Leadbeater in Tokyo

NISSAN, Japan's second-largest carmaker, has strengthened its alliance with Robert Bosch, the German components manufacturer which has bought a 9.6 per cent stake in a key Nissan parts supplier.

Robert Bosch, which already supplies Nissan's Japanese and European operations, paid Y5.14bn ($43m) for the stake in Unisia, a Nissan affiliate.

Nissan and Bosch in July announced plans to merge Unisia and Japan Electronic Control systems, which is 12.5 per cent owned by the German group.

By investing directly in Unisia, the German company will raise its stake in the merged company from a planned 2.7 per cent to about 10 per cent.

Nissan's stake in Unisia, which was spun off from Nissan in 1956, will fall from 33 to 24 per cent.

The merged company is expected to become a leading supplier to Nissan in the next few years, by combining Unisia's brake and engine technology with Bosch's engine control electronics. The merger is a significant step in Bosch's relationship with Nissan because it will expand its role as a supplier from alternators into the development of key electronic systems for Nissan cars.

● Kao, a leading Japanese household products maker, is acquiring Chemische Fabrik Chem-Y, a German chemical company, from DSM Fine Chemicals of the Netherlands, for an undisclosed sum, writes Emiko Terazono in Tokyo. Chem-Y, which makes agents used in cosmetics, detergents, metal processing and starch processing, is capitalised at DM10.4m ($7.30m) and has annual turnover of DM50m.

Department store sales produce slide at Renown

By Emiko Terazono in Tokyo

RENOWN, Japan's largest clothing maker which acquired UK fashion retailer Aquascutum in 1990, incurred consolidated net losses of Y23.11bn ($192.58m) for the seven months to July. This compares with profits of Y7.39bn for the previous 12 months.

At the pre-tax level, Renown made losses of Y16.7bn exceeding the company's forecast of a Y11bn deficit and compares with losses of Y11.8bn for the previous year.

The losses were due to poor sales, particularly at department stores, and a rise in depreciation. Consolidated sales amounted to Y115bn, against Y243.8bn for the previous 12 months. Depreciation of inventories at its sales subsidiaries increased the group's losses. It also wrote off Y2.5bn of its investment in Aquascutum.

For the six months to January, Renown expects consolidated pre-tax losses of Y4.7bn on sales of Y130bn. It expects net losses of Y8.3bn.

The company has changed its year-end to January, and will start a 12-month accounting year from next February.

Fujitsu put under review

MOODY'S Investors Service is reviewing the Aa3 senior unsecured debt rating of Fujitsu, the Japanese computer group, for a possible downgrade, Reuter reports from Tokyo. About $1.7bn of debt would be affected.

The action reflects Moody's concern that Fujitsu's low level of earnings and cash-flow protection for debt may weaken further due to sluggish demand in its core business of computers and semiconductors.

Mainframe computer and semiconductor markets are experiencing soft demand, and fierce price competition.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 14.10.92: Pool purchase price £/MWh	Final Prices for Trading on 16.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.64	17.78	17.78
0100	17.58	17.78	17.76
0130	17.69	17.78	17.78
0200	20.97	17.78	17.78
0230	21.15	17.76	17.78
0300	21.15	17.76	17.78
0330	17.71	17.76	17.76
0400	17.70	17.76	17.78
0430	17.69	17.78	17.78
0500	17.64	17.76	17.78
0530	17.70	17.70	17.70
0600	17.70	17.69	17.69
0630	17.79	17.78	17.78
0700	23.60	21.98	25.17
0730	23.68	22.19	25.35
0800	28.49	27.19	30.51
0830	25.10	27.31	30.80
0900	28.81	27.42	30.72
0930	28.61	28.27	31.63
1000	28.55	28.31	31.67
1030	28.42	28.30	31.62
1100	26.64	27.49	30.74
1130	26.68	27.52	30.79
1200	26.66	28.33	31.61
1230	26.61	28.27	31.53
1300	24.85	27.37	30.59
1330	24.63	27.19	30.39
1400	24.49	24.89	27.82
1430	21.73	24.68	27.81
1500	21.73	24.88	27.81
1530	21.74	24.68	27.81
1600	24.59	24.70	27.83
1630	25.02	24.81	27.94
1700	26.97	28.07	31.28
1730	28.81	28.05	31.26
1800	28.49	24.78	27.90
1830	29.17	22.00	22.00
1900	29.45	21.25	21.25
1930	29.30	22.00	22.00
2000	28.38	25.63	28.79
2030	24.49	28.02	31.22
2100	23.83	28.02	31.22
2130	23.83	25.67	28.79
2200	23.60	23.23	26.35
2230	23.43	23.23	26.38
2300	23.43	22.19	25.32
2330	21.67	21.99	25.13
2400	17.72	20.87	23.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

UK bonds rally as rate cut hopes are rekindled

By Richard Waters in London and Patrick Harverson in New York

LONG-dated UK government bonds rose sharply yesterday as investors moved from shorter-dated paper, reversing some of the recent steepening of the sterling yield curve.

A general feeling that gains in short-dated gilts had been overdone, and that fears of a resurgence of inflation had been overstated, helped to encourage the move, observers said. The market was also buoyed by growing confidence in an interest rate cut, probably of half a percentage point, in the near future, and the stability of sterling. The currency ended above DM2.52, up from around DM2.51 the day before.

Figures released yesterday showed producer price inflation unchanged in September, at an annual rate of 3.2 per cent. With further evidence of the weakness of the UK economy expected in the next two days, and an unexpected move by Abbey National yesterday to cut its mortgage rate again, the belief gained ground that a base rate cut was imminent.

Index-linked gilts did not participate in the best of yesterday's gains, despite a general perception that the rally in inflation-linked instruments still has some way to run.

These bonds should perform well if interest rates fall or if inflation fears resurface, said Mr Nigel Richardson, sterling bond economist at S G Warburg. Yesterday, with longer-dated gilts gaining more than a point, index-linked paper rose by only around a quarter of a point. Long gilt futures on Liffe also jumped a point, ending the day at 97¼, compared with Monday's close of 96$\frac{9}{32}$.

GOVERNMENT BONDS

■ OTHER European markets generally strengthened yesterday on the back of a half point rise in the German market. Demand for D-Mark paper – as evidenced by the flood of new issues in the eurobond market – continues to be strong, while the market was also said to have been led higher by a sharp technical rise in bund futures.

The French market moved up in line with Germany in late trading, with OATs showing a rise of a third of a point.

■ US Treasury prices were mixed to slightly lower late yesterday despite early gains on renewed, if still faint, hopes of another interest rate cut by the Federal Reserve.

In late trading the benchmark 30-year bond was down $\frac{1}{16}$ at 96$\frac{15}{32}$, yielding 7.532 per cent. The two-year note was unchanged at 100$\frac{1}{32}$, to yield 3.966 per cent.

After the market reopened following Monday's holiday prices got off to a firm start, a delayed reaction to comments from Mr Alan Greenspan, the Fed chairman, on Sunday which suggested that the monetary authorities may not, after all, have ruled out another rate cut before election day on November 3.

Although most of the market still doubts there will be another policy ease, there was enough short covering to boost prices across the board in early trading. By the afternoon, however, a rise in the weekly Johnson Redbook report on store sales sparked retail selling and pushed long-dated prices into negative territory.

■ JAPANESE government bonds rose yesterday, breaking out of their recent narrow trading range as traders sensed the possibility of easing of monetary policy by the Bank of Japan. In Tokyo, overnight rates fell below 4 per cent at one stage, dipping out of their current range, and although nothing on the Bank of Japan's part encouraged the fall, the dip in market rates encouraged hopes of a cut.

This was enough to lift the JGB futures contract, which rose from 106.20 to 106.42 before falling back to 106.33.

● Japan's banking industry is studying a new method to promote the sales of corporate loan holdings in a bid to meet international capital adequacy standards, Reuter reports from Tokyo.

Mr Tsuneo Wakai, chairman of the Federation of Bankers Associations of Japan, said: "We are studying various measures, and the measure [which will make use of commercial paper] is one of them."

Under the plan, a bank will set up a paper company in a tax-haven country and also establish a Tokyo branch. The Tokyo branch will buy corporate loans from the bank and the company in the tax-haven country will then issue CP overseas, backed by the corporate loans as collateral.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.6150	+0.346	8.86	8.80	8.90
BELGIUM		8.750	06/02	102.7150	+0.415	8.32	8.44	8.88
CANADA *		8.500	04/02	104.7300	-0.050	7.79	7.29	7.38
DENMARK		9.000	11/00	97.8700	+0.420	9.38	9.79	9.79
FRANCE	BTAN	8.500	03/97	99.1306	+0.124	8.72	8.81	9.37
	OAT	8.500	11/02	99.7200	+0.090	8.53	8.67	8.82
GERMANY		8.000	07/02	103.9650	+0.500	7.41	7.39	7.79
ITALY		12.000	05/02	88.7250	-0.730	14.891†	14.69	14.26
JAPAN	No 119	4.800	06/99	100.4322	-	4.72	4.65	4.78
	No 145	5.500	03/02	104.2751	+0.201	4.84	4.79	4.88
NETHERLANDS		8.250	09/02	103.7200	+0.380	7.68	7.72	8.23
SPAIN		10.300	06/02	84.6750	+0.225	13.16	13.99	12.67
UK GILTS		10.000	11/98	105-25	+4/32	8.29	8.55	9.86
		9.750	08/02	105-22	+22/32	8.86	9.23	9.30
		9.000	10/08	99-03	+1$\frac{1}{32}$	9.11	9.62	8.94
US TREASURY *		6.375	08/02	99-01	+3/32	6.50	6.61	6.56
		7.250	08/22	96-16	-6/32	7.53	7.42	7.38
ECU (French Govt)		8.500	03/02	95.2300	+0.200	9.27	9.41	9.43

London closing, *denotes New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Oct 13	Oct 12	Oct 9	Oct 8	Oct 7	Year ago	High *	Low *
Govt Secs	90.07	89.70	89.62	88.86	88.33	86.70	90.11	85.11
Fixed Interest	104.63	103.95	103.73	103.01	102.71	96.47	106.46	97.15

* for 1992. Government Securities high since compilation:127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 106.46 (14/9/92), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Oct 12	Oct 9	Oct 8	Oct 7	Oct 6
Gilt Edged Bargains	131.5	144.6	123.6	142.0	137.4
5-Day average	135.8	140.1	136.0	133.9	136.7

Indices: SE activity 1974

Property price bubble blamed on bank technology

By Robert Peston

THE SPECULATIVE bubble in property prices, which today is at the heart of many countries' economic problems and has led to big losses for hundreds of banks, was to a large extent caused by advances in banking technology.

That is the view of Mr Gerald Corrigan, who is one of the most influential spokesmen on banking regulation as chairman of the Basle-based committee on bank supervision and president of the New York Federal Reserve.

In an agenda-setting speech, Mr Corrigan said that technological change was the "missing link in terms of efforts to explain why credit-induced asset price bubbles have been able to move with such relative ease from one spot on the globe to another".

He said that common economic influences, such as inflationary expectations, did not provide a sufficient explanation of why developers and others in so many countries borrowed vast sums to invest in property in the last decade. The effect of this borrowing in the US, the UK, Japan, France, Spain, Scandinavia and other regions was to push up property prices very sharply, until a slowdown in economic growth led to a collapse in prices.

Mr Corrigan said that advances in the technology of processing information and executing transactions have "made it easier and 'cheaper' for borrowers and lenders to tap fresh sources of capital and finance".

This new technology can, as one example, reduce the risk for a bank of operating in a foreign country, thereby increasing the capital available to borrowers in that country.

Mr Corrigan also said that the ability of a financial institution to collate and process vast amounts of financial data rapidly using computers has allowed the institution to "arbitrage" – or shift funds to take advantage of price disparities – in property markets as well as in foreign exchange and securities.

Financial innovation, especially the creation of derivative products, also facilitated these cross-border flows of capital. Institutions could, for example, use derivative products to reduce the exchange and interest rate risks of investing in the UK compared with Japan.

However, the Basle committee has no simple remedy to reduce the risk of the new technology. He urged banks to "tame" the technology by developing "risk management and management information systems that will provide the top management of financial institutions with the tools and the information to ensure that applied technology is being used in a safe, sound and prudent manner".

Mr Corrigan was speaking last week at the international conference of banking supervisors in Cannes and has been delivering this message in a series of private meetings over the past month with senior bankers and regulators.

Strong Far East demand for World Bank yen issue

By Tracy Corrigan

THE World Bank's second global yen bond offering, launched yesterday, met strong demand from Far Eastern investors, but the reception from European institutions was less enthusiastic.

The Y225bn offering of five-year global bonds is due to be priced early today at a yield spread of 24-26 basis points above the No 105 five-year Japanese government bond.

Dealers reported unusually strong interest from US investors, as well as aggressive buying by Japanese and South East Asian accounts.

"This issue shows the worth of the global bond concept," said one underwriter. "A deal of this size could not have been smoothly executed in the Eurobond market."

The deal, arranged by Daiwa, Nomura and Goldman Sachs International, could be set at the low end of the indicated range as a result of the strong Far Eastern demand. But further supply in the Euroyen sector is not likely to follow, unless European interest picks up.

The recent widening of yield spreads in the Euroyen sector has eradicated the trading differential between Euroyen bonds and domestic bonds launched in the Japanese market. As a result, the spread on the World Bank offering appeared more attractive to domestic investors than for the last global offering. The previous global deal, a 10-year offering launched in March, is now trading at a spread of 37 basis points over the 10-year benchmark (which is trading very tightly compared with other JGBs.)

INTERNATIONAL BONDS

Yield spreads in the Euroyen sector have widened by about 10 basis points in the last month, and by 20-30 basis points since the start of the summer.

World Bank Eurobonds received a blow last month, when the Italian government repealed a withholding tax exemption for Italian investors. However, few yen bonds were held by Italian investors, and the impact was concentrated on the World Bank's dollar and D-Mark deals.

Meanwhile, the flow of issues in the D-Mark sector continued yesterday, with deals for Toyota Electric Power Company and the European Coal and Steel Community.

In addition, Sweden's large DM2bn issue, launched on Monday was increased to DM2.5bn due to strong demand for the paper. Despite being priced at the low end of the indicated spread range – at 45 basis points above the curve – the paper sold out rapidly, with strong demand from international and domestic institutional investors boosted by a rising bund market.

The 8 per cent bonds, initially priced at 100.28, traded strongly to close at 100.43 bid.

Other issues, such as Tepco's DM1bn 10-year deal priced to yield 27 basis points over the 10-year bund yield, fared less well, and will take rather longer to place, dealers said.

Also in the D-Mark sector, the European Coal & Steel Community launched a DM105m five-year offering via Bayerische Vereinsbank. In the dollar sector, Toyota Motor Finance launched a $250m three-year deal, under its medium-term note programme, via Lehman Brothers. The deal was considered fairly priced at 55 basis points over the curve, and is not expected to add to congestion in the dollar sector.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toa Steel Co.(a)♦	260	2.5	100	1997	2¼/1½%	Nomura Int.
Toyota Motor Fin.	250	5	99.89	1995	18.75bp	Lehman Bros
Columbus 2 Int.Fin.(b)‡	55	(b)	100	1997	-	Salomon Bros
Columbus 2 Int.Fin.(c)	30	5.87	100	1997	-	Salomon Bros
Columbus 2 Int.Fin.(d)	21	8.5	100	1997	-	Salomon Bros
Telebras(e)	40	10	97.212	1997	1½/⅞%	Nomura Int.
D-MARKS						
Kingdom of Sweden	2.5bn	8	102.23	1997	2/1.85%	Dresdner/M.Stanley
Tokyo Electric Power	1bn	7.625	102.35	2002	2½/1½%	WestLB
Euro.Coal & Steel Comm.	105	7.625	101.7	1997	1⅝/1⅛%	Bayer.Vereinsbank
FRENCH FRANCS						
CNA(f)	500	9.125	100.2	1996	22.5bp	BNP
CNA	500	9	99.77	1995	18.75bp	BNP
SWISS FRANCS						
Region Rhône-Alpes★★	50	6.375	101.75	2002	-	Swiss Volksbank

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 20/10/92. b) Senior tranche of $106m issue. Coupon pays 100bp above 3-month Libor. Investor has option to switch between $/DM/Y/£/C$/L. c) B tranche of $106m issue. Indexed to Yen. d) Junior tranche of $106m issue. Indexed to Yen. e) Coupon is payable semi-annually. f) Borrowers full name is 'Caisse Nationale des Autoroutes'. Fungible with existing FFr1.7bn bonds.

Repurchase facility set up

LEHMAN Brothers International and Euroclear, the Brussels-based clearing house, have set up a tri-party repurchase facility aimed at encouraging banks and fund managers to enter the growing European repo market, writes Tracy Corrigan.

Last month, the European Bank for Reconstruction and Development (EBRD), Swiss Bank Corporation and Cedel announced the first tri-party repurchase agreement (repo) programme to be launched in Europe.

The repo market allows institutions to boost returns by lending out securities on a short term basis. Tri-party programmes reduce the risk of failed trades and lower costs for counterparties deterred by complex processing involved in repurchase agreements.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 13

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107½	108¼		4.66	COPENHAGEN TEL 8 5/8 96 LFr	600	97¾	98½		9.48
ALBERTA PROVINCE 9 3/8 95	600	111¼	111¾	-⅛	5.31	ECSC 7 3/4 94 LFr	1000	98¼	99		6.94
AUSTRIA 8 1/2 00	400	109¾	110¼		6.75	WORLD BANK 8 96 LFr	1000	97¾	98¼		8.74
BANK OF TOKYO 8 3/8 96	100	107¾	108¼		5.86	ENERGIE BEHEER 8 3/4 98 Fl	500	104¾	105		7.74
BELGIUM 9 5/8 98	250	115½	116		6.31	[illegible]					
[illegible]						[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	1	12
Other Fixed Interest	10	5	0
Commercial, Industrial	268	196	958
Financial & Property	169	67	568
Oil & Gas	22	14	49
Plantations	0	0	9
Mines	11	55	81
Others	45	15	47
Totals	589	353	1,724

LONDON RECENT ISSUES

EQUITIES

[illegible]

... other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ◊ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¤ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings	Oct. 12	The report was unavailable from source yesterday.
● Last Dealings	Oct. 23	
● Last Declarations	Jan. 14	
● For settlement	Jan. 25	

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*613)	550	65	74	85	2½	10	14
	600	22	40	52	8½	27	33
	650	3	18	29	45	56	64
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*735)	700	51	69	81	11	23	30
	750	19	38	55	36	45	52
	800	6	20	31	70	78	83
BAT Inds (*849)	800	66	90	98	11	22	37
	850	33	60	69	27	42	60
	900	13	38	48	63	71	88
[illegible]							
Brit Aero (*139)	140	21	32	35	19	27	35
	160	12	25	27	32	40	65
Eurotunnel (*371)	360	40	58	67	25	36	42
	390	23	42	53	44	53	58

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Glaxo (*790)	750	72	92	112	24	40	51
	800	45	65	87	46	64	74
Hillsdown (*98)	90	16	22	24	8	12	16
	100	11	17	21	13	17	22
Lonrho	60	13	15	17	4	7	9
[illegible]							

*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT INDICES

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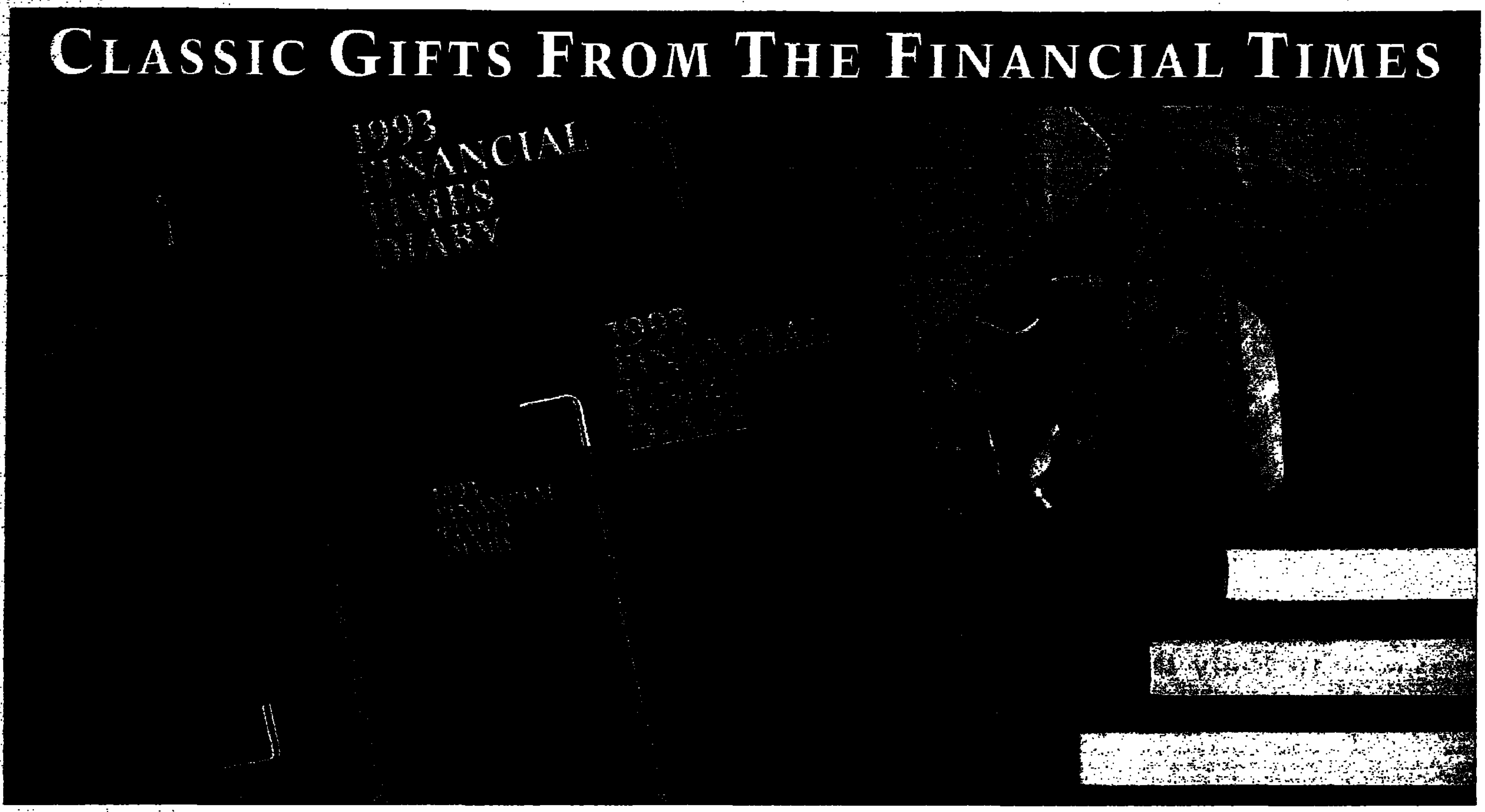
FIXED INTEREST

	PRICE INDICES	Tue Oct 13	Day's change %	Mon Oct 12	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	124.76	+0.07	124.67	1.45	10.46
2	5-15 years (25)	140.11	+0.48	139.57	2.14	10.73
3	Over 15 years (8)	146.29	+0.82	145.10	1.87	9.97
4	Irredeemables (6)	165.06	+0.22	164.69	3.92	8.83
5	All stocks (61)	137.20	+0.39	136.74	1.91	10.74
	Index-Linked					
6	Up to 5 years (2)	176.14	+0.08	176.00	0.15	3.68
7	Over 5 years (10)	158.73	+0.18	158.45	1.00	3.64
8	All stocks (12)	159.93	+0.17	159.67	0.88	3.61
9	Debs & Loans (62)	118.00	+0.52	117.40	2.16	9.58

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 13	Mon Oct 12	Year ago (approx.)
	British Government				
1	Low	5 years	7.84	7.87	8.73
2	Coupons	15 years	8.68	8.76	9.49
3	(0%-7¾%)	20 years	8.91	8.99	9.49
4	Medium	5 years	8.41	8.45	9.77
5	Coupons	15 years	9.14	9.24	9.63
6	(8%-10¾%)	20 years	9.26	9.36	9.58
7	High	5 years	8.70	8.74	9.97
8	Coupons	15 years	9.42	9.52	9.71
9	(11%-)	20 years	9.46	9.56	9.62
10	Irredeemables†		9.36	9.38	9.67
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.55	3.57	3.79
12	Inflation rate 5%	Over 5 yrs.	4.10	4.11	4.20
13	Inflation rate 10%	Up to 5 yrs.	2.71	2.72	3.12
14	Inflation rate 10%	Over 5 yrs.	3.90	3.91	4.01
15	Debs & Loans	5 years	9.86	9.92	11.35
16		15 years	10.47	10.54	11.18
17		25 years	10.54	10.60	11.01

† Flat yield.

CLASSIC GIFTS FROM THE FINANCIAL TIMES



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The Diary section, which is set out in a week-to-view format, runs from November 26 1992 to January 30 1994 and contains calendars, planners and international holidays. There is plenty of room for notes each day at the foot of the page.

Available in a choice of black leather, burgundy bonded* leather or black leathercloth, the FT Desk Diary measures 267mm x 216mm x 30mm and is specially bound to lie flat when open.

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The FT Pocket Diary has a week-to-view diary section, running from December 14 1992 to January 2 1994. It contains 34 pages of business and travel information and comes with a detachable personal telephone directory tucked inside its back cover.

Available in black leather, burgundy bonded* leather or black leathercloth the FT Pocket Diary measures 159mm x 86mm x 10mm.

The black leather FT Wallet Diary comes with a black bonded leather FT Pocket Diary attached. Lined with black moiré silk, the wallet has a pocket for bank notes as well as a separate section for jotter pages inside its front cover. It measures 172mm x 96mm x 11mm.

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As well as having a landscape, week-to-view diary section which runs from December 14 1992 to January 2 1994, the FT Pink Pocket Diary contains 34 pages of valuable business and travel information all printed on FT pink paper and bound in black bonded* leather. Tucked into a special pocket inside the back of the diary is a detachable personal telephone directory.
The FT Pink Pocket Diary measures 172mm x 89mm x 13mm.

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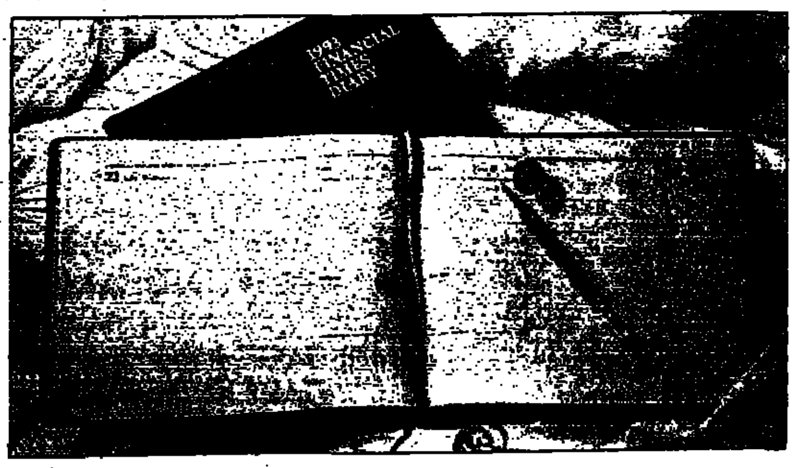
Slim and stylish with FT-pink pages and a black bonded* leather cover, the FT Slimline Pocket Diary shows two-weeks-to-view and has pages devoted to calendars and year planners. It runs from December 28 1992 to January 9 1994.

There are profiles of 16 UK cities, weights and measures charts, metric conversion tables, world times, international dialling codes and separate sections for notes, addresses and telephone numbers.

Even with all this the FT Slimline Pocket Diary measures 170mm x 84mm x 5mm.



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Although it is a desk diary, the FT Pink Desk Diary is small and light enough to carry around in a briefcase. Bound in black bonded* leather, with FT-pink pages, it has been designed to lie flat when open.

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COMPANY NEWS: UK

Overseas rise limits Body Shop's decline

By Jane Fuller


Gordon Roddick: sales remain volatile

BODY SHOP International, which last month issued its first profit warning and saw its share price fall by 41 per cent, yesterday spelt out the reasons for the sharp decline in its UK performance.

Trading profit in the UK slid 42 per cent to £3.7m in the six months to August 31, making up 39 per cent of the £9.56m total, down from £10.5m. This was the first time UK profits had fallen behind those made overseas.

Mr Gordon Roddick, chairman, said the row with one of the biggest UK franchisees with six shops in the south of England had cost about £400,000 in lost profit. By the end of this week all six would be replaced by company-owned shops.

The relocation of Cos-tec, a cosmetics making subsidiary, had cost about £500,000. Other profit reductions were caused by franchisees delaying Christmas orders and by the transfer of shops from company ownership to franchisees.

Domestic turnover fell from £36.9m to £35m, in spite of 15 shop openings, taking the total to 219. Sales had dropped off from the middle of June, said Mr Roddick, and had remained volatile.

The UK setback led to a 10 per cent fall in group pre-tax profit from £9.15m to £8.26m, in line with the September 16 warning. Group sales advanced 6 per cent to £67.2m (£63.2m).

Overseas trading profit grew 28 per cent to £5.1m, excluding the US where there was an eightfold improvement to £800,000 and the 100th store was opened. The US had been organised into four regions each under the equivalent of a head franchisee.

The number of shops outside the UK grew from 517 to 590. In Asia, including Japan where there will be 10 shops by the end of the year, sales rose 54 per cent. Continental Europe grew by 35 per cent.

After capital spending of £10.7m, net debt rose from £33m at the year-end to about £41.5m, for gearing of a little more than 50 per cent. The main item was the £6m purchase of industrial property rights from Constantine & Weir, a supplier. Total capital spending this year was expected to fall from £18m to £12m.

Earnings per share slipped to 2.9p (3p). The interim dividend is held at 0.68p.

See Lex

Cabra to sell two football grounds to third party

By Jane Fuller

CABRA ESTATES, the heavily indebted property company, is negotiating the sale of two London football grounds to a third party having failed to reach agreement with Mr Ken Bates, chairman of Chelsea football club.

Mr Eoin Cotter, Cabra's chief executive, said the buyer was "financially reputable" and known to the group's two main banks.

The latest borrowings figure of £52m dates back to March 1991. Since then, Mr Cotter said, there had been asset sales, including selling an interest in a residential developer in Houston.

No balance sheet information was issued with yesterday's results from Cabra for the year to March, although it said its net assets had fallen to less than half the called up share capital of £24m.

This followed pre-tax losses of £22.1m (loss of £11.3m) and further writedowns in property values. An exceptional charge of £13m was taken to write down Stamford Bridge's value from the previous £22.85m and also to reduce Craven Cottage's value.

Mr Cotter said that as a technicality an extraordinary general meeting had been called for November 6 because of the gap between net assets and share capital.

Turnover fell to £30.4m (£54.3m). Loss before exceptionals was £9.19m (£8.03m). The loss per share was 21.39p (loss of 10.2p). There is no dividend.

● One of the possibilities following the grounds' sale is that the buyer will revert to the plan of trying to get Fulham to share Chelsea's ground, eventually freeing up for redevelopment the Craven Cottage site

Fulham, however, has reached no agreement with Chelsea and is believed to interested in buying the Craven Cottage ground. Chelsea's aim continues to be to buy Stamford Bridge.

St Ives rises to £21m in weak markets

By Paul Taylor

ST IVES, the UK's largest independent printer, yesterday reported a 4.5 per cent increase in pre-tax profits from £20.2m to £21.1m for the year ended July 31 despite difficult conditions in its core magazine and book printing divisions.

The result was achieved on turnover lower at £208.1m (£217.7m), mainly reflecting the disposal of several small packaging companies.

Earnings per share grew to 15.2p (14.6p). The final dividend is 3.75p per share, making a total of 5.25p (5.0p).

Mr Robert Gavron, chairman, said that most of the group's markets were "very weak" but increases in market share, further cost reductions and the benefits from the group's five-year £130m investment programme in plant and machinery all helped underpin its performance.

Gross margins grew from 23.3 per cent to 24.2 per cent while operating profits increased to £20.2m (£19.9m) buoyed by lower administration expenses. Pre-tax profits were also helped by higher net interest receipts which grew to £866,000 (£286,000). During the year the group financed £6.9m (£23.7m) of capital expenditure from its strong positive cash flow and ended the financial year with no gearing and net cash of £13.45m (£124,000). Having completed its large capital investment programme, expenditure is likely to average About £12m a year in future.

The group's core market in the UK is magazine printing which represents about 40 per cent of turnover. During the past year reduced advertising revenues and lower circulation figures have resulted in a contraction of the market with fewer and slimmer titles.

Mr Gavron said this had inevitably affected both volumes and prices, "we have the newest factories and the most modern equipment to serve this market, yet in spite of this our margins are still well below the levels we achieved in the 1980s."

● **COMMENT**

Having completed its huge capital investment programme St Ives now has some of the most advanced printing plants in the world which are running at about 75 per cent capacity because of the recession. The group's management has an excellent reputation within the industry and has managed to gain market share without undermining margins. With no gearing, net cash of £13m and a significantly reduced capital expenditure budget the group's balance sheet is also in good shape. Like most printing companies St Ives has high operational gearing which would allow it to benefit very quickly from any volume increase - although there are no signs of this yet. But even without any economic upturn pre-tax profits should increase to around £23m this year and earnings to about 15.9p per share. At current prices the stock is trading on a premium prospective p/e of about 17, but still looks good for the longer term and for its plastic bags.

WB £2m sale as losses rise

Shares in WB Industries, the west midlands-based spring maker, fell 7p to 14p after announcing increased losses for 1991 and the sale of Elson & Robbins, its profitable unit spring maker.

On turnover down 32 per cent at £9.67m (£14.2m) pre-tax losses were £1.86m (£1.59m). The company blamed the recession and its cash shortage.

Elson is being sold to Wade Group for £1.94m as the first stage in the reshaping of WB. In 1991 Elson contributed profits of £75,000 on turnover of £5.47m.

The sale gives rise to an extraordinary charge of £3.49m (£2.33m) relating to losses on businesses sold, of which £2.28m covers goodwill previously written off.

A tax credit of £567,000 this time left losses per share at 70.88p (218.06p).

Attempt to gain access to Polly Peck assets

By John Murray Brown in Ankara

ADMINISTRATORS to Polly Peck International, the collapsed fruit and electronics group, are due to meet tomorrow with Mr Mentes Aziz, the personal lawyer of Mr Asil Nadir, the former chairman, in a bid to gain access to the assets still held in companies in the north of Cyprus.

Mr Aziz confirmed he was in negotiations with Mr Richard Stone and Mr Michael Jordan of Coopers Lybrand following earlier meetings in Istanbul last week. He is also due to meet the Serious Fraud Office on Friday.

On September 23 Mr Aziz appeared before Ms Laura Harris, the SFO director, and was issued with a "Section 2" which requires a suspect to answer questions.

Since the PPI collapse in October 1990, Mr Aziz has taken legal action in the Cypriot courts to prevent the administrators from gaining control of PPI assets on the island - Unipac, a packaging company in Famagusta, and Sunzest Trading, a fruit export concern.

Mr Aziz said he was now discussing an amicable resolution of the dispute. However he wanted a formal undertaking from the administrators that the Cypriot companies would not be closed.

"Whether the companies are going to be disposed of, or retained, the interests of the company and the community must be taken into account," he said.

Dorling Kindersley flotation funds to lift organic growth

By Andrew Bolger

DORLING KINDERSLEY, the British publisher which specialises in highly illustrated reference books for international markets, will be floated on the stock exchange with a market value of £85m-£100m.

DK's pathfinder prospectus, published yesterday, said the flotation would raise £25m before expenses.

The offer price is expected to be announced on October 23, with dealing beginning a week later.

Mr Peter Kindersley, chairman and chief executive, said the new funds would be used to continue organic growth, particularly in the US, and to provide back-up material for the group's educational titles.

Up to 75 per cent of the new shares will be placed firmly with financial institutions.

The remaining shares will be provisionally placed, but will be subject to clawback by financial intermediaries for sale to private investors.

The flotation is being sponsored by Barclays de Zoete Wedd, with Cazenove as broker.

DK said its growth in the year to next June was expected to be substantial, but not at the very high rate of the last five years.

In the 12 months to June 30 this year, the group's pre-tax profits doubled to £7.5m on sales up by 66 per cent to £70.9m.

Weak pound blamed as Wellcome shares flow back from US market

By Maggie Urry

THE NUMBER of Wellcome shares held in American Depositary Receipt form has fallen since the £2bn share sale in July.

At October 9, 58.9m Wellcome shares were held in ADR form, 6.8 per cent of the group's share capital. The pharmaceutical company said that about another 3 per cent of the shares were held directly.

In the share sale, when Wellcome Trust, the medical charity, sold 288m shares to cut its stake in the company from 73.5 per cent to 40 per cent, a total of 70m shares were allocated to the US market.

Before the sale few of the company's shares were held in the US although the North American market is the largest contributor to Wellcome's profits.

One of Wellcome's objectives in the sale was to increase the proportion of its shares held there.

Advisers to the sale said that the flowback of shares was disappointing. They ascribed it to a general trend of selling pharmaceutical stocks by US investors and to the fall in sterling against the dollar which made UK shares less attractive to American holders.

Wellcome's shares fell 9p to 954p yesterday, still well above the 800p sale price in sterling terms, but much closer to the $15 sale price in dollar terms.

Fast growth for niche technology

Alan Cane looks at the development of industrial inkjet printing

LINX PRINTING Technologies, a fast growing company nurtured in the technologically fertile Cambridgeshire fenlands, comes to the stock market this week in a move which underlines UK domination of the industrial continuous inkjet printing business.

While nothing can be taken for granted in the present economic climate, the company is expected to have a market value of between £20m and £30m when the shares are priced tomorrow.

Linx is a new star in a fast developing market. Worth about £220m a year at present, analysts reckon the industrial inkjet market will continue to grow by between 10 per cent and 15 per cent a year for the next few years.

That represents a significant reduction in growth from the exuberant rates over the past decade as sales generated by consumer legislation in the European Community level off. The market leaders are actively seeking to open up new applications and other technologies such as lasers for high speed printing to sustain growth and profitability.

Market leadership is shared between Domino Printing Sciences, another Cambridgeshire company, and Videojet, based in the US but owned by GEC of the UK. Each company has about 27 per cent of worldwide sales and dominates its local market. A French company, Imaje, is number three with 17 per cent.

Industrial inkjet printing is a niche technology which has so far escaped the attentions of the big battalions of the electronics industry. It calls for a complex mix of skills.

The leaders in the industry combine engineering and electronics expertise with enough scientific knowledge to understand the physics of electronically charged ink droplets in motion and the chemical skills to cook up a menu of specialised, sometimes edible, inks.

Among the large electronics companies only Hitachi of Japan with a 9 per cent market share has made much of an impact. "It is a sleeping giant that so far has not woken up," says Mr Howard Whitesmith, Domino's managing director.

The principles behind inkjet printing have been known for over a hundred years, but it was modern legislation which provided the impetus to turn a laboratory curiosity into a profitable business.

Today's industry grew out of research at the high technology consultants Cambridge Consultants (CCL) in the UK and Stanford University in the US. In 1976 Stanford designed the first commercial inkjet printer for the US office supplier AB Dick, now a subsidiary of GEC, which led eventually to the formation of Videojet.

Cambridge Consultants had been experimenting with similar systems and in 1978, Mr Graeme Minto, CCL's inkjet team leader, left the consultancy and established Domino to exploit the technology.

The fledgling company was given a powerful boost in 1981 by European Community legislation which required perishable goods to be printed with a "best before" date. Only inkjet printing could offer the combination of speed, flexibility and reliability required.

In 1980, Domino incurred a pre-tax loss of £69,000 on sales of £82,000. By 1984, it was ready to go public with pre-tax profits of £1.8m on sales of £7.4m. Last year, it made profits of £9m on a turnover of £60m.

Industrial inkjet printers of the kind made by Domino and Videojet are markedly different from the office inkjet machines now common throughout the world. Compared to their industrial counterparts, office printers are slow and finicky. The geometrical relationship between the print head of an office printer and the paper has to be exact; fast drying inks cannot be used because of the dangers of clogging. Their life on a production line could be measured in hours rather than days.

Industrial inkjets, on the other hand, are designed for the rigours of the factor floor. They can tolerate distances of several centimetres between the print head and the target. A stream of fast moving, jostling, mineral water cans gives them no problems; neither do delicate objects like eggs or wine bottles. They will print in any direction and on virtually any surface from a breeze block to a shiny plastic cable cover. Superquick drying or food grade inks are often the rule rather than the exception.


Howard Whitesmith: seeks new ways for growth

What makes inkjet printing possible is the speed of modern microprocessors. A stream of charged ink drops, 60 millionths of a metre in diameter - about the thickness of a human hair - is ejected continuously from the print head. Up to 128,000 drops are ejected every second.

The technology makes it possible to print variable information at rates which match the speed of modern production lines without contact.

Domino now makes about 600 machines a months with an average selling price of £6,000. Three-quarters of its systems are sold outside the UK and it won the Queen's Award for Export in 1987 and 1992.

This year the Royal Mail announced it would buy 500 Domino printers over three years in one of the largest orders of its kind.

The world of inkjet printing is small and incestuous. Linx, a brasher, more publicity-conscious company than Domino was formed in 1987 by Mr Mike Keeling and Mr Hill Weinberg both also former employees of CCL. Helped by a 1991 European Community directive which demands that all consumables are marked either with a sell by date or a lot number, Linx has grown from a turnover of £152,000 and operating loss of £496,000 in 1988 to sales of £6.5m and operating profits of more than £900,000 in 1991. It too was awarded the Queen's Award for Export in 1992.

Domino and Linx are conscious that the market driven by EC legislation is now mature and although similar moves are taking place in other countries, they are nevertheless seeking new ways of sustaining growth. Mr Whitesmith says that sales are roughly divided between legislation-driven markets and new areas - this includes, for example, personalising or printing unique numbers on individual copies of newspapers and magazines.

Mr Whitesmith relishes his story of supplying the late Mr Robert Maxwell with Domino equipment to print "bingo" competition numbers on individual copies of the Daily Mirror - and getting paid before Mr Maxwell's house of cards collapsed.

He has already diversified into "Packtrack", a mimeographic carton marking technology it acquired in a takeover, and is researching a new inkjet technology which within five years could combine the quality of office inkjet printing with the speed and reliability of industrial systems.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Body Shop ....int	0.68	Jan 15	0.68	-	1.6
FR Group ....int	2.46	Dec 11	2.34	-	6.69
Hong Kong Invest ....fin	1	-	-	1	1
Hughes (TJ) § ....int	0.75	Jan 4	-	-	-
Lon&St Lawrence ....fin	3.84♣	Dec 8	3.66	3.84♣	3.66
Mirror Gp News ....int	nil	-	0.8	-	0.8
Nth Brit Can ....int	0.94	Nov 9	0.9	-	3.25
St Ives ....fin	3.75	Dec 4	3.5	5.25	5
Sinclair (Wm) ....fin	5.3†	Nov 14	5.1	7	6.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Includes special dividend of 0.48p(0.6p)

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FR 6% ahead to £11m despite difficult market

By Richard Gourlay

FR GROUP, the aviation products company, yesterday reported a 6 per cent rise in profits in spite of difficult conditions for the aerospace and defence industries in the US and Europe.

Pre-tax profits in the six months to June rose from £10.4m to £11m on sales up 10 per cent at £85.4m. Earnings per share increased from 9.7p to 10.2p and the group is to increase its interim dividend by 5 per cent to 2.46p.

"We have selected the markets we are in very carefully but we are not immune from what is going on elsewhere in the world," said Mr Gordon Page, chief executive. "But generally speaking we are going for a reasonable year."

Flight refueling, a growing part of the business, received a boost through contracts with the Ministry of Defence to convert five more VC-10 aircraft to a tanker role.

In August FR completed conversion of the first of these aeroplanes; a total of 13 aircraft are now to be converted.

FR has also just completed the first of four kits for conversion of the US air force's KC10 to pod refueling capabilities. A decision on conversion of the remaining 54 aeroplanes of this class is unlikely before next spring.

The group's cash fell from £7m at the year-end to £3m after a planned expenditure programme on the company's fleet of Falcons but also because of slow and late payment on contracts. Mr Page said he was unhappy with the cash position but that it would not deteriorate further during the second half.

FR Aviation has also won a five year contract with the French Navy for electronic warfare and target towing services.

● COMMENT

Already out of favour, defence contractors must be feeling even more put upon as they contemplate a Clinton victory in the US election. Add impending spending cuts in the UK and their gloom is complete. FR Group could, however, benefit. A lot depends on the MOD contracting out more services like electronic warfare and target towing which FR already supplies the UK and French navies. Add the potential of a bigger conversion programme for the US KC10 and C130 and FR could be one of the survivors of the MOD/DOD shake-out. Such is the nervousness about defence spending, however, that not much of this is in FR's price. Brokers' forecasts of £23m for full-year pre-tax profits give earnings of 21.3p. This puts FR on an average market yield but a prospective earnings multiple of about 8.4 – more than a 40 per cent discount to the market.

William Sinclair advances nine years in a row

By Peter Pearse

TURNOVER, profits and dividend have increased for the ninth year in succession, said Mr Tom Sinclair, chairman of William Sinclair Holdings, which supplies products to the garden leisure and pet markets. For the year to June 30 it reported a 3 per cent rise in pre-tax profits from £4.48m to £4.61m.

Mr Sinclair said that gardening was less vulnerable to recession than other leisure activities and Mr Peter Barton, managing director, pointed to the ageing population profile and "green" awareness as other factors in the group's resilience. The shares rose 13p to 209p.

Turnover grew 13 per cent to £36.5m (£32.3m) and interest receivable fell to £345,000 (£448,000). A dividend of 5.3p makes a total of 7p (6.7p).

The garden leisure and professional horticulture side lifted turnover to £24.7m (£23.2m), but saw trading profits slip to £2.89m (£2.96m). Pet, aquatic and household products lifted profits to £799,000 (£415,000) on turnover up at £7.16m (£4.49m) after the acquisition of King British and UNO, two aquatic companies, in 1991.

In April the group acquired Secto for an initial £5m and a deferred £1.6m.

Profits in the garden sundries and Silvaperl Industrial division slipped to £579,000 (£659,000) on flat turnover. Farmer Foster, the trellis and garden furniture maker, was closed since the period-end and provisions of £411,000 were taken as extraordinary items.

The group has now been reorganised from three into two divisions.

Earnings fell to 15.7p (17.2p) on capital increased 11.9 per cent by the Secto acquisition.

Coventry climbs 10% to £11.8m

By David Barchard

Coventry, the sixteenth largest building society, announced pre-tax profits up by 10.3 per cent, from £10.7m to £11.8m, in the half year to June 30.

Total net income rose from £26.7m to £27.8m and the pre-tax result was after a reduction in provisions against loan losses from £4.42m to £3.57m, one of the best performances in the industry.

Mortgage advances in the period fell from £257m to £241m. Total assets rose from £2.12bn to £2.5bn.

During the half year the society converted £40m of subordinated debt into permanent interest bearing shares.

A complete package for the holiday industry

Michael Skapinker on the growing consolidation of tour operators and travel agents

THE SPECULATION that tour operator Owners Abroad is about to be taken over and the search for a rescuer of the Dan-Air airline appear to bear out the fervent hope of the large UK travel companies that consolidation of the fragmented British holiday industry is under way.

After a summer which saw some fierce price-cutting, Mr Charles Newbold, managing director of Thomson, the biggest UK tour operator, said he would be happy to see the back of some of his smaller rivals. "There are certainly one or two companies that won't survive and the travel business will be well rid of them," he said.

The Association of British Travel Agents (Abta) says 54 of its members have collapsed this year.

The largest survivors are buying, or thinking of buying, ever bigger parts of the business, attempting to establish a presence in all sectors of the market: arranging holidays, selling them, and flying the customers to their destinations.

The recent history of the UK travel business suggests, however, that having a stake in each sector is no panacea. And the industry is no respecter of size. Last year saw the collapse of Mr Harry Goodman's International Leisure Group (ILG), then the second biggest operator. ILG's attempt to build up a scheduled airline business brought down its aggressive package tour operation.

The rumoured bidders for Owners Abroad, currently the second biggest UK tour operator, include Airtours, the third biggest operator, and LTU, a large German travel group. Airtours last month bought Pickfords Travel, the third largest UK travel agency. LTU earlier this year bought Thomas Cook, the UK's second largest travel agency chain. LTU has also been mentioned as a possible buyer of Dan-Air.

Both LTU and Airtours believe it is important to own companies in all sectors of the holiday industry. Mr David Crossland, Airtours chairman, said owning Pickfords would enable his group to sell its holidays more effectively. Mr Wolfgang Osinski of LTU, while refusing to comment on the group's intentions towards Owners Abroad or Dan-Air, said: "Offering the complete product at every stage of the holiday, from the booking to the airline to the hotel, means you can ensure quality all along the line."

All three market leaders – Thomson, Owners Abroad and Airtours – have their own charter airlines. Thomson has owned Lunn Poly, the largest UK travel agency chain, for 20 years. Thomson and Lunn Poly insist that they operate at arms length – a claim generally accepted by rival travel companies.

By contrast, Mr David Crossland, Airtours' chairman, made no attempt to hide the benefits he expects to get from owning Pickfords.

Mr Crossland said that if each of Pickfords' 333 branches took an additional Airtours booking every week, it would add £2m to the enlarged group's pre-tax profits. He said that although the average Pickfords branch had 150 display rack spaces, Airtours brochures occupied only four of them. He made it clear that the number of Airtours brochures at Pickfords branches would increase.

Others were less convinced by Mr Crossland's reasoning, and worried about the consequences of yet another travel agency being owned by a tour operator.

Travel agents are expected to offer a wide range of holidays from various operators. Rival tour operators were worried that Pickfords would promote Airtours' holidays in preference to theirs. Travel agency chains, for their part, warned that if Airtours favoured Pickfords unduly it could throw into doubt Airtours' long-term contracts with other agents.

Mr Crossland said he did not think rival tour operators would refuse to sell their holidays through Pickfords because of its Airtours link, simply because they would not want to abandon a retail outlet with 333 branches. Thomson holidays accounted for 20.6 per cent of Pickfords summer business this year, with Owners Abroad taking 13.9 per cent and Airtours 12.4 per cent.

As for the other travel agents, they had already demonstrated that, far from being reluctant to sell Airtours' holidays, they wanted to be sure they could continue to do so. He added that the combined buying power of Airtours and Pickfords would also enable them to reduce advertising and marketing costs.

Mr Peter Rothwell, marketing director of Lunn Poly, said he would carefully observe the development of Airtours' relationship with Pickfords before deciding whether its own contracts with the operator could continue. "I can't see a change in our relationship [with Airtours] overnight. But our agreement with them binds both sides. If the other side provides less than full support to us, the agreement will be broken."

An additional concern was how consumers' might react. Mr Rothwell said: "If I was a customer and I knew I was going to be pushed into buying a particular product, I would object. A travel agent is respected for impartiality. That's why people go to travel agents rather than to tour operators direct."

Ms Patricia Yates, editor of Holiday Which? magazine, pointed out that some tour operators already offered travel agents inducements like free flights and cut-price holidays. "Obviously, to have another arrangement, like ownership, is a worry."

Mr George Marcall, Airtours sales director, insisted the traveller had nothing to worry about. "The consumer is king. Whatever the consumer wishes to buy, we will provide it."

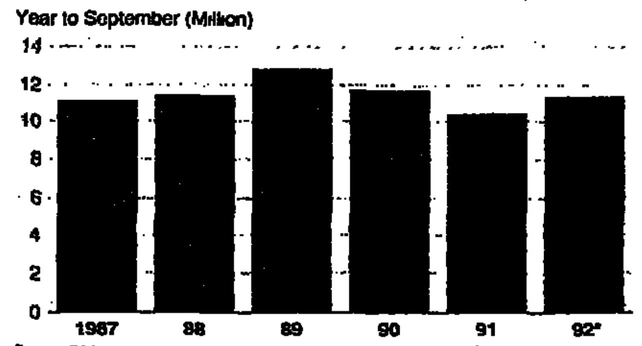
TRAVEL AGENTS' OWNERSHIP

Agency chain	Owner	Branches
Lunn Poly	Thomson (UK)	511
Thomas Cook	LTU (Germany)	330
Pickfords Travel	Airtours (UK)	333
AT Mays	Carlson (US)	310
Hogg Robinson	Independent	212
Co-op Travel	Independent	130
Others		5,124

Source: ABTA/Mintel, Pickfords Travel Services

UK charter air holidays

Year to September (Million)



Source: CAA

*Owners Abroad estimate

Tony Andrews

David Crossland: Airtours would benefit from Pickfords

NEWS DIGEST

TJ Hughes pays first dividend

TJ HUGHES, the Liverpool-based discount retailer, reported a 25 per cent increase in pre-tax profits for the 26 weeks to July 25. Turnover rose 51 per cent but on a like-for-like basis, excluding new openings, the rise was 13 per cent.

The company, which came to the USM in May this year, is paying a maiden dividend of 0.75p from earnings per share of 0.16p (losses of 0.11p).

On turnover of £17.8m (£11.8m) profits were £143,000 (£114,000). In the second half a new store has been opened in Manchester bringing total space to 292,420 sq ft, an increase of 45,860 sq ft during the year.

LET, the property and development division of SPP, the Swedish mutual life company, holds a 45 per cent stake.

Nth Brit Canadian assets decline

Net asset value of North British Canadian Investment Trust declined to 95.9p per share at end August compared with 103.4p a year ago and 112.3p at the February 1992 year end.

Total revenue rose from £749,000 to £794,000. Profits after tax rose from £462,000 to £505,000 leaving earnings per share at 1.87p against 1.71p per share. The interim dividend is raised from 0.9p to 0.94p.

Bromsgrove acquires R White

Bromsgrove Industries has acquired R White Engineering for an initial consideration of 1.7m Bromsgrove ordinary at 100p each. The vendors have undertaken to retain the shares for a minimum period of 12 months.

Additional consideration will be payable by reference to the profitability of White for the 12 months ended March 31 1994.

White, which showed a pre-tax profit of £315,000 in 1991 on sales of £2.9m, operates from a 38,000 sq ft freehold site in Coventry. It is a specialist precision machinist servicing the automotive industry.

Estimated net assets of White are £300,000 after payment to the vendors prior to disposal of a dividend of £800,000.

Channel sees return to dividends

Channel Holdings reported an increased pre-tax loss of £19m in the first half of 1992 against £1.32m.

They were the last figures for the group, formerly known as Channel Tunnel Investments, as an investment company, but included costs involved in its transformation into an industrial group.

It completed its purchase of Carflow Products, supplier of vehicle security equipment, in August. Mr Patrick Rogers, chief executive, said Carflow was trading satisfactorily with sales in the six months to September 30 up 30 per cent.

He added that the directors looked forward to being able to pay the first dividend for many years when the full year results are announced.

Losses per share were 1.3p (0.1p).

Lon & St Lawrence net assets fall

Net asset value of London and St Lawrence Investment fell 11 per cent from 140.2p to 124.82p per share over the year to August 31 last.

Again in the light of the high level of income received – gross income rose from £1.13m to £1.23m – it had resolved to pay a special dividend of 0.48p, although this compares with 0.6p for the previous year, in addition to a single payment of 3.36p (3.06p) for the year.

Pre-tax revenue amounted to £1.2m (£1.1m) and net attributable to £827,000 (£814,000). Earnings were shown as 4.34p (4.27p).

LEGAL NOTICES

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re: Michael Milken and Associates Securities Litigation } MDL Docket No. 924

SUMMARY NOTICE OF PENDENCY OF CLASS AND DERIVATIVE ACTIONS, AND HEARING ON PROPOSED MILKEN GLOBAL SETTLEMENT

This notice relates to the following class and derivative actions which have been consolidated in In re Michael Milken and Associates Securities Litigation (MDL 924) and is directed to all persons and entities identified below:

1. Re: Columbia Savings & Loan Association

To: Members of a class consisting of: All persons and entities who purchased the common stock of Columbia Savings & Loan Association, between March 29, 1985 and December 15, 1989, inclusive.

This Notice concerns claims asserted on behalf of the Class in the following lawsuits: Cooperman v. Spiegel, et al., CV 89-6538 (SVW), (C.D. Cal.) (Consolidated with Cooperman v. Spiegel, et al., Civ. No. 91-2931-(SVW) (C.D. Cal.); Klein v. Spiegel, et al., No. CV 89-7327 (SVW) (C.D. Cal.); Ahlstrom v. Columbia Savings & Loan, No. 91-Civ.-0099-SVW (C.D. Cal); and Epstein v. Spiegel, et al., No. CV 90-2130 (SVW) (C.D. Cal.)

2. Re: American Continental Corp. (Lincoln Savings and Loan)

To: Members of a class consisting of all persons who purchased any and all types of securities of American Continental Corporation ("ACC") between January 1, 1986 and April 14, 1989 including stocks and debentures and including the Employee Stock Ownership Plan of ACC. The ACC Securities sold during the Class Period include: (a) Subordinate Debentures; (b) Common Stock; (c) Cumulative Convertible Preferred Stock; (d) $3.44 Exchangeable Preferred Stock; (e) 12% Senior Debentures due 2001; (f) 14¾% Senior Subordinate Notes due 1995; (g) 10¼% Senior Notes due 1990.

This Notice concerns claims asserted in the following lawsuits: In re American Continental Corp./Lincoln Savings & Loan Securities Litigation, MDL No. 834 (D. Ariz.) including Civ. 90-0566 PHX RMB; 90-0567 PHX RMB; 90-0568 PHX RMB; 90-0569 PHX RMB; 90-0570 PHX RMB; 90-0573 PHX RMB; 90-0574 PHX RMB; 90-0760 PHX RMB; 90-1270 PHX RMB.

3. Re: Financial Corp. of Santa Barbara

To: All current shareholders and creditors of Financial Corp. of Santa Barbara.

This Notice concerns claims asserted in the following lawsuit: Harris v. Brinkerhoff, et al., Civ. No. 90-3100 (DT) (C.D. Cal.) (Derivative Action).

4. Re: Drexel Burnham Lambert Unit Trust, High Income Trust Securities, Series I through 13

To: Members of a class consisting of all persons and entities who purchased High Income Trust Securities, Series I through 13 at any time prior to July 10, 1989.

This Notice concerns claims asserted in the following lawsuit: Insley et al. v. Drexel Burnham Lambert, Inc., et ano., Master File No. 89 Civ. 6028 (KMW) (S.D.N.Y.)

5. Re: Integrated Resources, Inc.

To: Members of a class consisting of all persons and entities who purchased securities of Integrated Resources, Inc., including common stock, Debentures and Preferred Stock, traded on the New York Stock Exchange during the period April 1, 1988 through June 15, 1989.

This Notice concerns claims asserted in the following lawsuits: In re Integrated Resources Securities Litigation, Master File No. 89 Civ. 4255 (SWK) (S.D.N.Y.)

6. Re: M.D.C. Holdings, Inc.

To: Members of a class consisting of all persons and entities who purchased securities of M.D.C. Holdings Inc. during the period April 1, 1985 through April 6, 1989.

This Notice concerns claims asserted in the following lawsuits: Masry v. Mizel, et al., (In re M.D.C. Holdings, Inc. Securities Litigation), Master File No. CV 89-0090-E (M) (S.D. Cal.) (including Boyle v. Mizel, No. 90-0856-E (M) (S.D. Cal.)

7. Re: Unocal Corp.

To: All current shareholders of Unocal Corp.

This Notice concerns claims asserted in the following lawsuit: Shames and Shields v. Milken, et al., No. 90-1281 JSL (Tx) (C.D. Cal.) (Derivative Action).

PLEASE TAKE NOTICE that the above-referenced Class Actions have been conditionally certified as class actions pursuant to Rule 23 of the Federal Rules of Civil Procedure for the purposes of a proposed settlement for the classes indicated, and the derivative actions listed above are proposed to be settled on behalf of the corporations named therein pursuant to Rule 23.1 of the Federal Rules of Civil Procedure. A hearing on the settlement has been scheduled for 10:00 a.m. on November 17, 1992 before the Honorable Milton Pollack at the United States Courthouse, 40 Centre Street, Courtroom 1305, Foley Square, New York, New York 10007.

Detailed Notices of Pendency, describing the proposed $1.3 billion Milken Global Settlement in each of the above-referenced actions, have been mailed to the purchasers of record of the securities involved in the class actions and to the corporations involved in the derivative actions. If you are a member of one or more of the classes and have not yet received the detailed Notice of Pendency for such class; or if you are a shareholder of either Financial Corp. of Santa Barbara, or Unocal Corp., you may request a copy of the applicable detailed notice of pendency by either (i) writing to plaintiffs' lead counsel:

Milberg Weiss Bershad Specthrie & Lerach
One Pennsylvania Plaza
New York, New York 10119-0165
Attn: Milken Global Settlement Notices

or (ii) calling 1-800-528-9085 if calling from within the USA or 415-461-4094 if calling from elsewhere. In either case you must indicate your name and mailing address, and you must specify for which of the seven (7) above-referenced class and/or derivative actions you want to receive copies of the Notice(s). The telephone number is for an answering machine which will record your name, address and which Notice(s) of Pendency you desire. Any other inquiries you may wish to make should be directed, in writing, to plaintiffs' lead counsel.

DATED: October 12, 1992

By Order of the Court

COMMODITIES AND AGRICULTURE

Russian nickel group announces cut in output

By Kenneth Gooding, Mining Correspondent

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+10,550	to 1,382,125
Copper	+350	to 300,475
Lead	+400	to 176,750
Nickel	+1,440	to 50,850
Zinc	+1,500	to 374,250
Tin	-25	to 14,880

NORILSK, THE world's largest nickel producer, attempted yesterday to steady the market after the metal's price plummeted again on the London Metal Exchange following news that LME stocks had reached their highest level for 34 months.

Mr Nickolai Abramov, vice general director of the Russian group, revealed that low prices and weak demand had forced Norilsk to cut output by 15 per cent from the 1991 level and further output cuts were planned for 1993 if demand did not pick up.

Traders were not impressed. "Production cuts are all very well but nickel is still pouring out of Russia," Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, pointed out.

He suggested that Russia's formal nickel exports were being substantially augmented by primary nickel alloyed with some iron so that it could be exported as "scrap".

Mr Abramov acknowledged, in a statement to the International Nickel Study Group meeting in closed session in the Hague, but released to the Reuter news agency, that there was a serious problem with unofficial or "grey market" nickel exports from Russia. "A strong policy from the Russian government is necessary to stop the leakage of nickel, copper and cobalt-containing metals," he added.

Analysts said the onus remained on nickel producers to cut output. Recently-announced measures by Inco, the Canadian group which is the world's second-largest nickel producer, to trim 1993 planned output by 18,000 tonnes was not enough.

Most of its other rivals have said they will not follow suit, at least for some time, but "other cuts of 30,000 tonnes are needed, although it's difficult to see where that will come from," said Mr Neil Buxton, analyst at Metal Bulletin Research.

The LME reported yesterday that its nickel stocks had risen by another 1,440 tonnes to 50,850. A year ago stocks were 8,604 tonnes and two years ago only 3,240.

Nickel for delivery in three months, which dropped by $156 a tonne on the LME on Monday, fell another $84 on the LME to close last night at $6,447.50, down by another 3.5 per cent in two days.

EC boosts soya demand

A SHARP increase in European Community demand will help boost world soyameal consumption by 3m tonnes to a record 74.5m in 1992-93, the Oil World newsletter says, Reuter reports from Hamburg.

Lack of domestic soft seeds is forcing widespread switching to soya in the EC and the publication expects net imports of soyabeans and soyameal to rise by 1.3m and 400,000 tonnes respectively in 1992-93.

Oil World puts EC soyabean imports in 1992-93 at 15.1m tonnes, against 14m in 1991-92, with exports totalling 421,000 against 398,000. EC soyameal imports are seen reaching 14m tonnes (13.6m in 1991-92), with exports unchanged at 4m.

Oil World says soyameal demand will also be strong in the US this season, and offtake is expanding in Thailand, South Korea, Taiwan, Indonesia, China and Mexico.

Florida hails bumper orange crop

By Nancy Dunne in Washington

FORECASTS OF abundant citrus supplies from Florida this year may be depressing futures prices but they have cheered officials at the Florida Citrus Commission.

"We've got 92m trees – the most we've ever had," said Mr Dan Gunter, executive director of the Florida Department of Citrus. "Lower prices make Florida orange juice an even more attractive, nutritious beverage alternative."

Although US growers were braced for lower prices, output is up so much that they can also expect increased earnings. Some of the higher production will be disposed of through exports. Japan, particularly, is a growing market for Florida orange juice.

Florida dominates US citrus output. Last year it accounted for 69 per cent of US citrus production, while California accounted for 28 per cent, and Arizona, 3 per cent. Texas is still recovering from several freezes and last year accounted for less than 1 per cent of US production. Acreage is higher this year in California and Florida, but lower in Texas and Arizona.

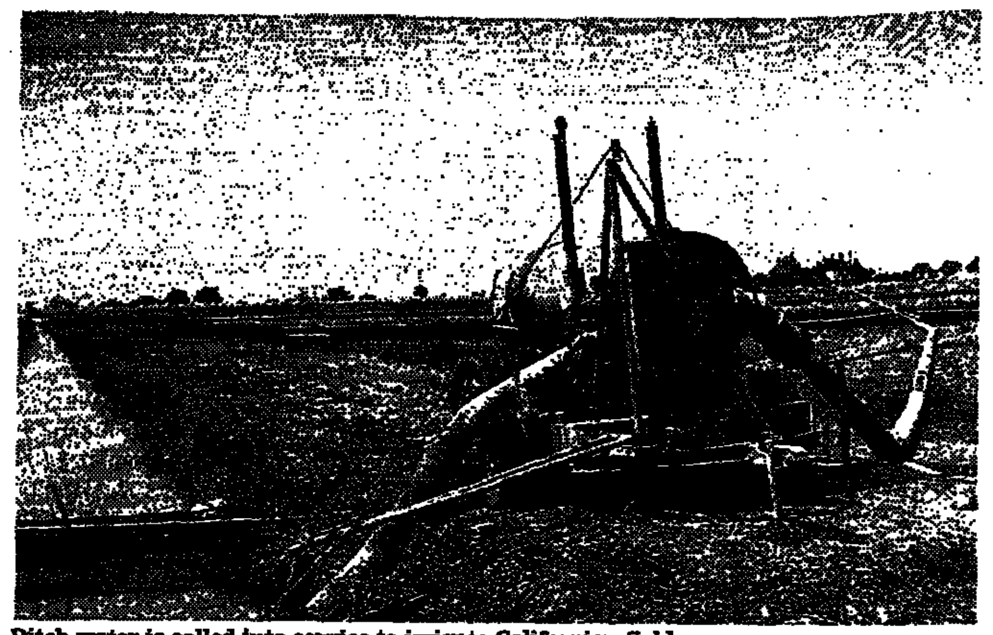
After years of damaging freezes, the citrus growers' luck changed this year. Hurricane Andrew and a number of punishing tornadoes passed them by. If winter passes the region by, the state can expect the third largest citrus crop in its history.

USDA estimated that the crop would produce 186m boxes of oranges, a rise of 33 per cent from last year. The grapefruit crop could hit 54m, a jump of 27 per cent. Production of Florida's specialty varieties – tangerines, temples and tangelos – is expected to reach 8.6m boxes, up 15 per cent this year.

In 1991-92, the value of the total US crop rose only 2 per cent to $2.45bn. Higher production during the season led to lower prices received by the growers. Total citrus crop values increased in Arizona, California and Texas, while declining in Florida.

US water plan could leave crops high and dry

Louise Kehoe on reform proposals that are pitting farmers against environmentalists



Ditch-water is called into service to irrigate Californian fields

CALIFORNIAN growers stand to loose a significant portion of the federally subsidised water supplies they use for irrigation if President Bush signs into law a Bill that was passed by the US congress last week.

The $2.4bn Omnibus Water Bill provides funding for numerous politically popular projects including dams and canals in Colorado, Utah, Arizona and other states.

In California, however, it is highly controversial, pitting the interests of agriculture against those of urban water users and environmentalists.

The primary impact of the Bill would be to reallocate water supplies from growers in the prime San Joaquin Valley growing region to environmental projects. Cities would also gain access to federally subsidised water supplies.

The legislation addresses a century-long battle over water rights in California between agricultural and urban interests. At present farmers use about 85 per cent of the state's water while city residents and other businesses face severe water rationing after six years of drought.

The Bill would reform allocation of water supplies from the Central Valley Project, a massive system of 20 dams and miles of canals built by the federal government in the late 1930s, which transports water from Northern California to the Central Valley, where it is used to irrigate about 3m acres of farmland. The system processes about one-fifth of the state's water supply.

The Bill would reserve 800,000 acre/feet of water per year, or roughly 10 per cent of the water the project delivers in a year of normal rainfall, to be used to replenish river flows and reservoir levels and to restore fish and water fowl habitats.

If the drought continues, however, the impact upon farmers could be far more severe, according to the CVP Water Association. "We calculate that 2m acres would have received no CVP water last year and this year if the Bill's regulations had been in place," says Mr Jason Peltier, president of the CVP Water Association.

The Bill would also raise farmers' costs by imposing a $50m surcharge to pay for fish and wildlife restoration projects. In addition it would reduce federal subsidies and introduce a tiered pricing system designed to encourage conservation. Farmers now pay as little as $3.50 per acre/foot for CVP water compared with market rates of about $150.

Farmers would, however, be enabled under the terms of the proposed Bill to sell excess water supplies to drought-parched cities and other industries.

Agricultural interests opposed to the Bill claim that it would cost $4bn in lost income for the state's farmers. "Federal water cutbacks will mean idled acreage, thousands of lost jobs and increases in food prices," warns Mr Bob Vice, president of the California Farm Bureau Federation.

The farmers, traditionally strong Republican supporters, are urging President Bush to veto the Bill. They acknowledge, however, that they face an uphill battle and that political expediency may override the president's desire to help them.

Mr Manuel Lujan, the Secretary of the Interior, and Mr Edward Madigan, the Agriculture Secretary, have also said that they would urge a veto, as has California's Republican governor, Mr Pete Wilson.

The Bill "would dramatically reallocate 20 per cent of our state's water, strike a vicious economic blow to California, and create a second century of California water wars whose only winners will be the litigators," Governor Wilson claims.

The immediate problem facing Californian growers is difficulty in raising loans. "Lenders are saying that they will only finance growers who have alternative sources of water in view of the uncertainties about CVP supplies," says Mr Peltier.

However, the reforms have broad support from business and environmental groups in California. "We are extremely hopeful the president will promptly sign this legislation," said Mr Carl Boronkay, general manager of the Metropolitan Water District of Southern California, which serves 15m residents of Los Angeles and surrounding cities.

"With a stroke of his pen the president can give a shot in the arm to California's economy, as well as a much-needed environmental boost."

Safety fears may force Phillips to advance Ekofisk investment

By Karen Fossli in Oslo

PHILLIPS Petroleum Norway may have to bring forward investment plans for its North Sea Ekofisk oil field because of safety concerns voiced by the Norwegian Petroleum Directorate, the country's oil industry watchdog. The company believes that modifications and new facilities to meet the directorate's stringent demands will cost several billion kroner.

The prolific field, Norway's oldest, is estimated still to contain about 1bn barrels of extractable reserves. But the NPD has warned that it could order closure of its processing and distribution tank by 1995-96 because ageing technical equipment and inadequate maintenance has rendered it unsafe. Mr Rolf Wiborg, a senior Phillips Petroleum Norway executive in charge of drilling and production, said yesterday that he agreed with the directorate's opinion that minor modifications would not go far enough to enhance safety of the Ekofisk facilities, which are also plagued by subsidence.

"Minor modifications of facilities are not going to get us where we need to be in 30-40 years time," Mr Wiborg said. He estimated that Phillips had already invested about NKr60bn ($5.85bn) in Ekofisk since the field came on stream in 1972.

At the end of June Phillips established a four-man task force to finalise a plan for enhancing the field's further development, which was to be presented at the company's headquarters in Bartlesville, Oklahoma, in December 1993.

But the directorate is seeking a response from the company by the end of the month to its warning about a potential closure of the complex, through which 40 per cent of Norway's total production passes.

Phillips will present a plan to the NPD within the stipulated time limit and it concedes that it will be forced to give priority to work called for by the directorate. The level of further investment in the field will depend on to what extent new facilities will be required in addition to major modifications.

"We need to propose a package which makes sense to optimise the investment required vis-a-vis long-term maintenance costs and what is left to be produced from the field," Mr Wiborg said. He did not believe the expiry of the production licence in the year 2011 would pose any great problems for Phillips, which would apply for an extension if necessary.

On the field's subsidence problem, he said Phillips intended to call for bids next summer for facilities necessary to expand a major water injection programme.

Indian government in a dilemma over cotton sales

By Kunal Bose in Calcutta

DIFFERENCES between farmers and traders and textile mill operators over the size of this year's Indian cotton crop are making it difficult for the federal government to keep to its policy of authorising the export of at least 500,000 bales a year.

The differences as to when the government should take a decision on the export of new season staple cotton surfaced at the last week's meeting of the Cotton Advisory Board. The farmers, who are expecting a bumper crop of 13m bales, pressed for immediate release of export quotas to avoid domestic prices collapsing under the pressure of market arrivals.

The agriculture ministry supports this point of view but the Indian Cotton Mills Federation, whose initial estimate of the current season's crop is 12m bales, believes that in the interest of the textile industry, the government should not make a decision until December, when the exact size of the crop will be known. The textile ministry agrees.

According to industry officials, the standing crop is likely to be affected to some extent by the present spell of heavy rain and by pest attacks in some places.

In the meantime, the government has released an export quota of 126,000 bales of old season cotton for the Maharashtra State Co-operative Cotton Marketing Federation and Cotton Corporation of India. The decision is being taken a confirmation that the government is expecting an easy supply situation in the present season.

Even if the crop is only 12m bales, the total availability for the season will be 15.3m bales, including the carryover stock of 3.3m bales. The industry's requirement is estimated at 1.05m bales while another 800,000 or so bales are generally needed by the non-mill sector.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,720 (1,640-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.60-0.70 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.50-15.50 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.10-2.20 (2.15-2.25).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 48-57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.80-2.00 (1.85-2.00).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.75 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD fell again on the London bullion market yesterday, adding to Monday's losses. The recent failure to break conclusively through resistance above $350 a troy ounce has effectively capped the upside for the moment, analysts say. If US funds now abandon positions established in the wake of Europe's currency crisis – in spite of the likely volatility in financial markets as the US elections approach – then gold could fall back to $340 and possibly August's lows at $335. The market could find some support if the Bundesbank moves to cut interest rates tomorrow as rumoured in the currency and equity markets. London **COCOA** prices reversed direction in the afternoon, closing down. Dealers said there had been talk of light selling of Ivorian cocoa with a modest strengthening in the value of the pound versus the French franc making prices more attractive. **COFFEE** futures finished easier, but above the day's lows, aided by the reversal of an early fall in New York.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.80-8.85z	+.025
Brent Blend (dated)	$20.80-0.85	+.025
Brent Blend (Nov)	$20.85-0.90	+.025
W.T.I (1 pm est)	$22.25-2.35z	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-223	
Gas Oil	$201-202	-3
Heavy Fuel Oil	$102-104	
Naphtha	$197-199	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$343.35	-2.45
Silver (per troy oz)♣	371.5c	-5.0
Platinum (per troy oz)	$355.60	-1.60
Palladium (per troy oz)	$95.25	-0.75
Copper (US Producer)	104.5c	-0.5
Lead (US Producer)	37.6c	
Tin (Kuala Lumpur market)	14.96r	-0.43
Tin (New York)	274.5c	-7.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.06p	+2.39*
Sheep (live weight)†♠	75.57p	+1.56*
Pigs (live weight)†	63.01p	+5.34*
London daily sugar (raw)	$226.0w	
London daily sugar (white)	$253.5w	+0.5
Tate and Lyle export price	£240.5	+0.5
Barley (English feed)	£132.75t	
Maize (US No. 3 yellow)	£140.0	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	60.00p	+2.00
Rubber (Dec)♥	59.50p	+1.75
Rubber (KL RSS No 1 Oct)	224.0m	+0.5
Coconut oil (Philippines)§	$502.5y	+2.5
Palm Oil (Malaysian)§	$402.5	-5.0
Copra (Philippines)§	$315.0	
Soyabeans (US)	£145.0z	-1.0
Cotton "A" Index	53.35c	+0.05
Woollops (64s Super)	413p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Nov/Dec u-Oct w-Oct/Nov. z-Nov. †Meat Commission average latstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Dec	197.00	194.00	197.00	192.00
Mar	195.00	195.00	194.00	192.00
May	197.00		194.60	
White	Close	Previous	High/Low	
Dec	258.00	258.00	258.00	257.50
Mar	257.10	257.50	258.00	256.50

Turnover: Raw 95 (30)lots of 50 tonnes. White 418 (272) Paris- White (FFr per tonne): Dec 1293.44 Mar 1328.69

CRUDE OIL – IPE $/barrel	Close	Previous	High/Low	
Nov	20.70	20.63	20.93	20.69
Dec	20.71	20.84	20.93	20.69
Jan	20.66	20.76	20.85	20.65
Feb	20.53	20.67	20.70	20.55
Mar	20.39	20.52	20.48	20.38
May	20.20		20.26	20.18
Jun	20.10		20.18	20.16
IPE Index	20.85	20.70		

Turnover 30852 (24744)

GAS OIL – IPE $/tonne	Close	Previous	High/Low	
Nov	197.50	198.50	198.50	197.00
Dec	200.25	200.75	200.50	199.75
Jan	200.50	200.75	200.50	199.50
Feb	195.25	196.00	196.00	195.00
Mar	189.25	189.50	189.50	188.75
Apr	184.00	184.00	184.50	183.75
May	180.50	181.00	181.50	180.00
Jun	179.00	179.00	179.00	
Jul	179.25		178.50	

Turnover 9616 (28513) lots of 100 tonnes

JUTE
October/November c and f Dundee BTC $370, BWC $385, BTD $335, BWD $345; c and f Antwerp BTC $345, BWC $345, BTD $325, BWD $325.

COTTON
Liverpool- Spot and shipment sales for the week ending October 9 amounted to 139 tonnes against 237 tonnes in the previous week. Sales were moderate and occured mainly in American Growths

COCOA – London FOX £/tonne	Close	Previous	High/Low	
Dec	652	656	668	651
Mar	674	682	695	673
May	690	700	713	690
Jul	709	718	730	709
Sep	728	736	747	728
Dec	755	757	771	757
Mar	777	785	791	774

Turnover: 5471 (5240) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 12 743.42 (745.77) 10 day average for Oct 13 757.24 (756.91)

COFFEE – London FOX $/tonne	Close	Previous	High/Low	
Nov	836	846	840	824
Jan	853	867	854	840
Mar	864	866	865	855
May	859	863	860	850
Jul	864	868	861	859
Sep	868	877	866	

Turnover:3135 (1783) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 12: Comp. daily 52.11 (52.07) 15 day average 49.40 (49.20)

POTATOES – London FOX £/tonne	Close	Previous	High/Low	
Apr	61.7	61.8	62.0	59.9

Turnover 73 (82) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne	Close	Previous	High/Low
Oct	133.00	-	133.00

Turnover 275 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point	Close	Previous	High/Low	
Oct	1086	1085	1086	1081
Nov	1138	1137	1138	
Jan	1185	1186	1185	
Apr	1224	1220	1224	1223
BFI	1043	1039		

Turnover 44 (57)

GRAINS – London FOX £/tonne				
Wheat	Close	Previous	High/Low	
Nov	122.90	123.65	123.00	122.60
Jan	126.00	126.70	126.25	125.55
Mar	129.00	129.70	129.25	128.60
May	131.60	132.35	131.70	131.30
Jun	132.75	133.75	133.75	132.75
Nov	106.00	106.25	106.00	
Barley	Close	Previous	High/Low	
Jan	125.50	125.85	125.60	124.75
May	130.00		130.00	

Turnover: Wheat 371 (207), Barley 70 (62).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
Mar	104.0		103.5
Apr	104.0		103.5

Turnover2 (3) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 40,997 lots
Cash	1169.5-70.5	1169-70	1162.5	1162.5-3		
3 months	1194-5	1190-1	1197/1184	1185.5-6	1195-6	191,940 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,593 lots
Cash	1311-2	1319.5-21.5	1308	1307.5-8		
3 months	1343-4	1362-4	1349/1337	1340-0.5	1343-4	146,412 lots
Lead (£ per tonne)						Total daily turnover 3,462 lots
Cash	313-4	317-8	316/315.5	315.5-6		
3 months	326-6.5	330-1	330/326.5	327.5-8	327.5-8	25,695 lots
Nickel ($ per tonne)						Total daily turnover 8,193 lots
Cash	6365-70	6455-60	6330/6325	6325-30		
3 months	6445-50	6530-3	6510/6400	6400-5	6425-30	28,938 lots
Tin ($ per tonne)						Total daily turnover 3,144 lots
Cash	5945-55	6115-20		5890-900		
3 months	6000-10	6185-90	6110/5920	5955-60	6000-10	10,792 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,843 lots
Cash	1187-8	1179-81	1180/1178	1178-8.5		
3 months	1194-5	1190-1	1195/1185	1186.5-7	1193-4	67,171 lots

LME Closing £/$ rate: SPOT: 1.7175 | 3 months: 1.6958 | 6 months: 1.6756 | 9 months: 1.6600

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	343.20-343.50	
Opening	345.80-346.20	
Morning fix	343.45	200.379
Afternoon fix	343.75	200.589
Day's high	345.90-346.10	
Day's low	343.00-343.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.41	6 months	1.62
2 months	1.41	12 months	1.69
3 months	1.44		

Silver fix	p/troy oz	US cts equiv
Spot	217.40	371.75
3 months	221.85	374.50
6 months	226.15	377.50
12 months	234.30	384.00

GOLD COINS	$ price	£ equivalent
Krugerrand	343.00-346.00	200.00-202.00
Maple leaf	354.10-356.40	-
New Sovereign	83.00-85.00	49.00-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1150	36	66	5	12
1200	8	35	27	30
1250	3	15	70	60
Copper (Grade A)	Calls		Puts	
2200	66	109	7	23
2300	13	51	62	64
2400	3	19	139	130
Coffee	Nov	Jan	Nov	Jan
600	236	253		
650	186	203		
700	136	155		2
Cocoa	Dec	Mar	Dec	Mar
500	152			
525	107	151		2
550	102	129		4
Brent Crude	Dec	Jan	Dec	Jan
2050	54	70	24	45
2100	28	47	50	
2150	16	32		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Oct	344.0	345.2	343.4	343.4
Nov	344.1	345.3	0	0
Dec	344.9	346.1	345.0	343.3
Feb	345.9	347.2	346.0	344.1
Apr	346.8	348.1	346.9	345.8
Jun	348.0	349.3	347.9	347.0
Aug	349.4	350.7	0	0
Oct	351.0	352.3	0	0
Dec	352.6	353.9	351.9	350.5

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	358.5	367.1	357.5	356.5
Jan	354.6	365.1	356.0	353.0
Apr	353.0	353.6	353.0	352.0
Jul	353.0	353.6	0	0
Oct	356.0	358.6	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Oct	369.5	373.2	0	0
Nov	370.0	373.7	0	0
Dec	371.5	375.2	372.5	370.0
Jan	372.7	376.4	374.0	0
Mar	375.0	378.8	376.0	373.5
May	377.4	381.2	378.0	376.5
Jul	379.8	383.6	380.5	379.5
Sep	382.3	386.1	382.5	381.5
Dec	386.3	390.1	387.0	386.0
Jan	387.5	391.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	99.20	99.65	100.00	99.00
Nov	99.50	99.90	99.90	99.45
Dec	100.05	100.45	101.10	99.75
Jan	100.55	100.95	101.20	100.50
Feb	100.95	101.40	101.35	101.10
Mar	101.35	101.85	102.35	101.20
Apr	101.65	102.10	0	0
May	102.10	102.55	102.95	102.10
Jun	102.45	102.85	0	0
Jul	102.70	103.05	103.25	102.75

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Nov	22.09	22.30	22.35	22.06
Dec	22.01	22.22	22.29	21.89
Jan	21.91	22.11	22.17	21.80
Feb	21.78	21.96	22.02	21.80
Mar	21.63	21.82	21.87	21.78
Apr	21.49	21.68	21.70	21.54
May	21.36	21.55	21.56	21.45
Jun	21.24	21.44	21.44	21.32
Jul	21.13	21.34	21.34	21.25
Aug	21.03	21.24	21.24	21.24

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
Nov	64.51	65.48	65.55	64.40
Dec	65.28	66.07	66.25	65.20
Jan	65.50	66.22	66.30	65.55
Feb	64.45	65.20	65.06	64.30
Mar	61.98	62.55	62.50	61.70
Apr	59.60	60.40	60.30	59.90
May	58.40	58.95	58.95	58.60
Jun	57.50	58.00	57.85	57.80
Jul	57.30	57.75	58.00	57.60
Aug	57.85	58.30	58.20	58.20

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	952	976	988	950
Mar	1001	1027	1035	1000
May	1032	1056	1055	1033
Jul	1060	1084	1085	1063
Sep	1093	1114	1093	1093
Dec	1126	1147	1145	1123
Mar	1164	1185	1187	1185
May	1194	1215	0	0
Jul	1231	1252	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Dec	63.45	61.80	63.50	60.60
Mar	64.90	63.40	65.00	62.35
May	66.25	66.90	66.35	65.60
Jul	69.70	68.25	69.40	67.50
Sep	71.40	70.25	71.50	69.00
Dec	73.80	72.85	74.00	72.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	8.77	8.70	8.78	8.68
May	8.85	8.81	8.88	8.78
Jul	8.88	8.85	8.89	8.84
Oct	8.89	8.86	8.89	8.84
Mar	8.94	8.90	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Dec	53.00	53.44	53.35	52.47
Mar	52.77	53.43	53.25	52.50
May	53.27	53.95	53.70	53.00
Jul	53.68	54.40	54.20	53.45
Oct	54.51	55.00	0	0
Dec	54.80	55.40	55.15	54.76
Mar	55.55	56.00	56.52	55.62

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	99.00	98.80	100.10	98.30
Jan	96.15	97.10	97.65	96.10
Mar	97.10	98.05	98.40	97.10
May	98.10	99.05	99.25	99.05
Jul	97.85	98.40	98.75	98.00
Sep	97.45	98.20	0	0
Nov	97.45	98.20	98.75	98.75
Jan	97.45	98.20	0	0
Mar	97.45	98.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)	Oct 13	Oct 12	mnth ago	yr ago
	1592.2	1591.6	1531.0	1624.4

DOW JONES (Base: Dec. 31 1974 = 100)	Oct 12	Oct 9	mnth ago	yr ago
Spot	114.16	113.92	118.04	114.01
Futures	115.13	114.84	114.86	122.82

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Nov	537/4	536/6	539/0	535/4
Jan	543/2	542/0	544/4	541/4
Mar	550/2	549/2	552/0	548/4
May	557/4	556/0	558/4	556/2
Jul	564/2	563/4	565/6	563/4
Aug	567/4	567/4	568/0	567/0
Sep	568/0	566/0	569/0	566/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Oct	18.61	18.65	18.81	18.58
Dec	19.00	18.86	19.04	18.88
Jan	19.16	19.05	19.20	18.97
Mar	19.37	19.27	19.39	19.19
May	19.56	19.45	19.60	19.42
Jul	19.78	19.66	19.78	19.60
Aug	19.83	19.70	19.85	19.70
Sep	19.90	19.80	20.00	19.80

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Oct	178.3	178.1	179.0	177.5
Dec	180.9	180.9	181.9	180.4
Jan	181.8	181.9	182.8	181.5
Mar	182.5	182.4	183.4	182.3
May	182.8	182.8	183.8	182.5
Jul	184.7	184.6	185.7	184.5
Aug	185.5	185.2	186.5	184.8
Sep	186.5	186.2	187.5	185.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	210/2	209/6	210/4	209/0
Mar	218/2	217/6	218/4	217/2
May	224/4	223/4	224/6	223/2
Jul	229/0	228/6	229/2	228/0
Sep	232/0	231/6	232/4	231/2
Dec	235/0	235/0	235/2	233/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	353/6	352/0	354/0	350/2
Mar	351/6	350/0	352/0	349/0
May	338/6	337/6	339/2	337/4
Jul	319/2	316/6	319/4	316/0
Sep	324/4	322/4	325/4	322/4
Dec	334/4	333/0	334/4	330/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	76.425	76.100	76.800	76.250
Dec	74.375	74.475	74.750	74.350
Feb	71.750	71.875	72.150	71.700
Apr	72.725	72.775	73.050	72.700
Jun	69.775	69.800	69.875	69.750
Aug	68.425	68.500	68.900	68.425

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Oct	43.550	43.575	43.900	43.250
Dec	44.350	44.650	44.950	44.075
Feb	43.150	43.575	43.825	42.900
Apr	41.400	41.675	41.950	41.150
Jun	46.025	46.325	46.750	45.900
Jul	45.350	45.600	46.100	45.300
Aug	44.250	44.375	44.700	44.250
Oct	41.300	41.350	41.500	41.200

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	43.300	41.300	43.300	41.300
Mar	43.125	41.125	43.125	41.100
May	44.550	42.550	44.550	42.300
Jul	44.750	42.750	44.750	42.500
Aug	43.075	41.075	43.075	41.100

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LONDON STOCK EXCHANGE

Abbey loan rate cut boosts market

By Steve Thompson

A UK EQUITY market still *suffering from lack of turnover* and enthusiasm burst into life in mid-afternoon following an unexpected mortgage rate cut by Abbey National, a sharp rise on Wall Street and speculation that a takeover involving a Footsie stock could be imminent. This combination drove the Footsie up 27.5 to 2,584.7.

Markets were additionally helped by another good showing by sterling in the foreign exchange markets, notably against the dollar but also against the D-mark. The *strength* of the pound gave a strong boost to the gilt-edged market where long dated stocks rose around a point.

Share prices started brightly with marketmakers hoisting prices in response to a good overnight performance by Wall Street.

The Footsie 100 opened with a 10 point gain at 2,567.2, but this was eroded in mid-morning by a sell programme, estimated to have been worth some £45m and executed by one of the more aggressive of the UK integrated securities houses. The effects of the programme, which featured big blocks of Cable & Wireless, BT, British Gas, Marks & Spencer and Guinness, lingered for much of the session but the immediate result was to pull the Footsie 100 back to the day's low point of 2,549.5, or *down 7.7 just before* lunch.

Very little genuine business was transacted until the Abbey National news came into the market. The effect was immediate and dramatic, with the Footsie future jumping 40 points and driving the cash market sharply better. The Footsie 100 galloped ahead and peaked at 2,587.7 just ahead of the official close, with stories *of a Footsie bid gaining an* ever-growing audience.

The bid stories encompassed a wide spectrum but were *sharply focused on the banking* arena. TSB, where takeover stories have rumbled on since the group's problems with its Hill Samuel merchant banking subsidiary and its ill-fated acquisition of the Target Life became public, was one of the *potential bid targets. Standard* Chartered and Royal Bank of Scotland also came into the picture, although dealers *remained highly sceptical of* any early moves in the banks, highlighting the relative low levels of activity in all the so-called takeover candidates.

Other Footsie names regarded as vulnerable included Fisons, the chemicals *group, and Asda, the food* retailer. Actual takeover news lifted shares in fund management group Henderson Administration, involved in *merger* talks with Touche Remnant.

Utilities were unsettled by the report issued by the electricity industry watchdog, Offer. The report triggered big selling of the power generators and undermined sentiment in the regional electricity companies. Other weak performers in the Footsie included BICC, the heavy electrical and cables group which suffered from a Cazenove sell recommendation, and Forte, the hotels group, which weakened after a less than enthusiastic recommendation from Warburg Securities.

Equity turnover picked up well during the late afternoon but remained unsatisfactory at 470.5m shares. Monday's 305m-share turnover resulted in a meagre £625m-worth of customer business.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000s	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	16	385	+5	Comm. Union	748	524	+10	Lonrho	604	67	+2	Shell Transport	3,700	524½	+1½
ASDA Group	9,800	39		Cookson	190	183	+3	Lucas	5,100	[illegible]	+2½	Siebe	743	340	+1
Abbey National	6,800	315		Courtaulds	1,800	404	-5	MB Caradon	685	266	+7	Slough Ests	1,900	198	+4
Albert Fisher	6,200	37½	+½	Dalgety	213	419	-7	MEPC	1,800	277	+8	Smith (W.H.) A	897	438	+1
Allied-Lyons	1,600	514	+9	De La Rue	181	824	-3	Manweb	210	443		Smith & Nephew	5,100	153	+1½
Amstrad	140	28		Dixons	2,500	220	+2	Marks & Spencer	4,500	328½		SmKl Beecham	3,600	508	-1½
Anglian Water	518	420	-3	Eastern Elect.	583	379	+1	Midlands Elect.	765	427	+8	SmKl Beecham Uts.	2,300	449	+2
Argos	251	238		East Midland Elect.	728	380	+1	NFC	800	260	+8	Smiths Inds.	261	325	
Argyll Group	4,900	384	+14	Eng China Clays	900	432	+4	NatWest Bank	1,600	350		Southern Elect.	245	407	+6
Arjo Wiggins	7,600	158	+1	Enterprise Oil	758	435	+3	National Power	5,400	269	-4	South Wales Elect	254	475	+7
Ass. Brit. Foods	347	437		Eurotunnel Units	463	372	+4	Next	2,800	108	-1	South West Water	705	434	-3
Ass. Brit. Ports	165	232	+6	FKI	0	82		North West Water	[illegible]	[illegible]	-3	South West. Elect.	417	415	+4
BAA	1,500	737	+5	Fisons	4,400	198	-4	Northern Elect	[illegible]	[illegible]	+9	Southern Water	110	409	-2
BAT Inds	1,900	848	+2	Forte	3,000	153	-4	Northern Foods	[illegible]	[illegible]	+7	Standard Chartd	635	478	-2
BET	3,100	95	-1	Gen Accident	1,100	503	+6	Norweb	[illegible]	[illegible]	+5	Storehouse	532	151	+1
BICC	1,900	251	-9	General Elect	6,900	257½	+5	Pearson	[illegible]	[illegible]	+3	Sun Alliance	2,600	301	+8
BOC	985	711	+4	Glaxo	3,400	791	+17	P & O	[illegible]	[illegible]	+1	T&N	147	133	-2
BP	16,000	219	+1½	Glynwed Int.	242	226	+1	Pilkington	[illegible]	[illegible]	+2	TI Group	1,600	398	+8
BPB Inds.	1,200	143	+3	Granada	866	268	+1	PowerGen	[illegible]	[illegible]	-6	TSB	4,900	137½	+2
BT	3,600	370	+9½	Grand Met.	5,800	376	+6	Prudential	[illegible]	[illegible]	+2	Tarmac	3,400	78	+6
BT New	5,500	260½	+9½	GUS A	289	1518	+15	RHM	[illegible]	[illegible]		Tate & Lyle	1,200	329	-8
BTR	1,630	485	+4	GRE	1,800	157	+4	RMC	[illegible]	[illegible]	-1	Taylor Woodrow	512	58	-3
Bank of Scotland	1,100	118	+2	GKN	807	373	+13	RTZ	[illegible]	[illegible]	+16	Tesco	7,800	242	+10
Barclays	5,700	351	+4	Guinness	3,400	541	+15	Racal	[illegible]	[illegible]	+4	Thames Water	606	438	-4
Bass	3,500	535	-13	HSBC (75p shs)	3,400	424	+1	Rank Org	[illegible]	[illegible]	+13	Thorn EMI	647	783	+10
Berisford Int	363	18¼	+¼	Hammerson "A"	183	181	+5	Reckitt & Colman	[illegible]	[illegible]	-3	Tomkins	2,400	262	-1
Blue Circle	364	142	+3	Hanson	4,900	217¼	+2	Redland	[illegible]	[illegible]	-4	Trafalgar House	1,400	85½	-1
Booker	377	367	-3	Hanson Warrants	1,100	18¼		Reed Intl.	[illegible]	[illegible]	+1	Unigate	838	254	
Boots	1,400	488	+2	Harrisons Crosfield	2,400	174	+2	Rentokil	188	179	+2	Unilever	1,000	1034	-1
Bowater	325	836	+15	Hillsdown	4,700	86½	-½	Reuters	1,100	1282	+18	United Biscuits	1,600	310	+2
Brit. Aerospace	1,300	133	+2	IMI	330	225		Rolls Royce	2,400	131½	+1½	Utd. Newspapers	170	447	+7
British Airways	1,800	293	+2	ICI	974	1063	-1	Rothmans	785	576	+10	Vodafone	489	347	+7
British Gas	7,400	256½	+4	Inchcape	841	498	+9	Ryl Bk Scotland	2,400	161	+8	Warburg (SG)	16	814	
British Land	204	156	+6	Kingfisher	1,100	522	+6	Royal Insurance	690	185	-1	Wellcome	1,200	956	-7
British Steel	2,100	81	-½	Kwik Save	610	685	+2	Saatchi	14	141		Welsh Water	365	453	-3
Bunzl	5	95		Ladbroke	5,100	154	-9	Sainsbury	2,100	487	+17	Wessex Water	191	515	-5
Burmah Castrol	755	648	+15	Land Securities	985	404	+8	Scottish & New	498	417	+1	Whitbread "A"	1,400	443	+8
Burton	1,700	40½	-½	Laporte	192	569	-5	Scot. Hydro-Elect	1,900	218½	+2½	Williams Hldgs.	820	278	+10
Cable & Wire	3,300	565	+11	Legal & General	871	364	+17	Scottish Power	6,700	102½	+4½	Willis Corroon	786	202	-3
Cadbury Schweppes	2,200	438	+1	Lloyds Abbey	401	349	+16	Sears	2,900	88		Wimpey	913	88	
Calor Group	4	798	+1	Lloyds Bank	2,400	452	+2	Sedgwick	2,000	141	-1	Wolseley	113	339	+4
Carlton Comms	899	683	+15	LASMO	3,000	169	+2	Seaboard	374	415	+5	Yorkshire Elect.	1,000	448	-4
Coats Viyella	278	300	-2	London Elect	360	410	+3	Severn Trent Water	633	402	+1	Yorkshire Water	134	458	-4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

US stake in BP tops 20%

STRUGGLING oil major British Petroleum saw keen interest from US investors. That interest has taken the US stake above 20 per cent for the first time according to the latest available figures.

Societé Generale Strauss Turnbull, quoting BP sources, *said yesterday that the number* of shares held in the form of American Depositary Receipts had hit 20.5 per cent, compared with only 7.5 per cent a year ago. Both figures include a 3.74 per cent stake which is part of the Kuwait Investment Office holding in the company.

Strauss's Mr John Toalster, generally regarded as the superbear on the stock, said yesterday; "US investors continue to regard the company as attractive against the US oil majors whereas compared to Shell it is expensive. UK *institutions are further* underweight." The two-way view on the stock was in evidence for most of the day and despite the heaviest closing turnover of the day – 16 million shares – BP rose only 1½ to 219p. Shell Transport also firmed 1½ to 524½p.

Generators weak

The UK generators were under pressure after the *electricity* regulator Offer published a document criticising their pricing. There was also a response to worries of a national coal strike.

PowerGen, which came in for the stronger criticism, fell 6 to 280p and National Power *lost 4 to 269p.*

Analysts said the market was particularly concerned by what it took to be a threat that the duopoly could be broken up. The threat was contained in the final sentence of the report which said Offer was considering the "pattern of ownership". However, Mr Kevin Lapwood of Nomura argued that this had been misinterpreted and merely referred to the geographical imbalance of the industry. Most power stations are in the North of England.

The prospects of a coal strike as a result of pit closure announcements would not directly hurt the generators as there are massive coal stock piles. However, it would suck them in to a political storm.

Insurance switch

Prudential Corporation, the UK's biggest insurance group measured by market capitalisation, came under persistent pressure after Robert Fleming Securities told clients to switch out of Prudential and into Legal & General, the third biggest of the UK's life companies.

Their were also market stories that stockbroker Credit Lyonnais Laing had cut its profits estimates for Prudential.

Prudential shares retreated to 261p before *stabilising* with the market and closing 2 better at 269 on turnover of 2m shares. Legal & General advanced 17 to 364p.

Flemings insurance team said the life sector was too high and Prudential, which has approached its actual and relative all-time high, should be switched into Legal for a "massive yield pick up."

News that Abbey National was cutting its mortgage rate may have helped the market, but it left the bank's shares unchanged at 315p.

Speculation of an imminent sale for its merchant bank arm helped Royal Bank of Scotland improve 8 to 161p. Some analysts suggested that a European consortium headed by German bank BHF was poised to launch an offer. However, others argued that the shares were merely responding to recent falls.

Early hopes that perennial bid target TSB might attract an offer evaporated on closer scrutiny and the shares closed only 2 better at 137½p.

The big water companies were under pressure in response to growing worries of a head-to-head confrontation with the official regulator Ofwat, highlighted by a Nomura sell *recommendation.* North West Water lost 3 to 442p, Thames fell 4 to 438p and Anglian dropped 3 to 420p.

British Gas, which is prompting diverging views, closed 4 up at 256½p. Three leading securities houses were *said to be recommending* the stock and a fourth, Smith New Court, published a sell note yesterday. Smith believes the "*earnings growth picture is* extremely uncertain due to the Monopolies and Mergers Commission investigation".

Recent Footsie 100 entrant Burmah recovered recent losses and gained 15 to 648p as a squeeze on the stock was helped by tenuous bid speculation and a buy recommendation from agency broker James Capel following a visit to the company.

Grand Metropolitan bounced 6 to 376p, and Guinness was reported a good market, the shares moving 15 ahead to 541p, in trade of 3.4m shares.

Argyll Group and J. Sainsbury moved strongly ahead after BZW reiterated its buy recommendation on the stocks on the basis of an increase in food inflation driven by sterling's effective devaluation. The former gained *14 to 364p, while the latter* jumped 17 to 487p, after trade of 2.1m shares. Securities house Nomura, however, took a contrary view on Sainsbury and advised investors to switch out of it and into Tesco, which added 10 to 242p. Mr Andy Hughes at Nomura believes there is more upside in Tesco given the big rating differential.

Asda Group closed *unchanged* at 39p, with bid speculation once again doing the rounds. Turnover reached 9.8m, with the equivalent of *over another 3m shares dealt* in the traded options.

Body Shop had a volatile session. The shares fell 7 in early trading after the cosmetics retailer revealed a fall in interim profits from £9.15m to £8.26m. Then, a lunchtime meeting with institutions steadied nerves and the shares recovered to end 2 up at 163p.

A big report from S.G. Warburg on the hotels and leisure sector re-emphasising the broker's caution on the sector cast a shadow over it. Forte shed 4 to 153p. Ladbroke was also affected though more serious damage was done by reports that Smith New Court had taken on a line of stock in the group. The shares fell 9 to 154p on turnover of 5.1m.

News of an increased number of visitors to Euro – Disney, sent the shares sharply ahead. The company announced that visitors had *topped the 7m mark and beat* its September forecast.

The shares jumped 50 to 860p, in thin trade. Analysts however remained sceptical, pointing out the rise in the figures coincided with the end of the school holidays.

Wellcome was sharply lower at the start of trading on concerns that a drug being developed by Glaxo could affect Wellcome's Retrovir. *There was also disappointment* that the US holding in the company had fallen to 6.8 per cent from a 8.7 per cent stake at the time of its share offer in July. The shares were off 20 at their worst, but some analysts argued that Retrovir would always be the main component in any AIDS treatment and the shares recovered to close 7 lower at 956p. Glaxo jumped 15 to 791p.

A meeting in New York to publicise its two new electronic dealing systems helped Reuters Holdings improve 18 to 1282p.

Dealers said awareness of Carlton Communications, the group which is to take over the London TV franchise from Thames, continues to grow. Carlton shares lifted 15 to 683p.

Mirror Group Newspapers fell 2 to 63p as investors took profits after the publisher unveiled first half-results.

Speculation that GKN would soon win an order from Kuwait for its Warrior armoured personnel carriers lifted the shares 13 to 373p.

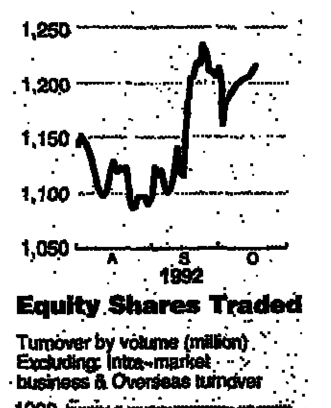
● Fixed-interest data which formerly appeared on this page – including the FT-Actuaries Fixed Interest Indices, FT Government Securities Index, FT Fixed Interest Index and FT Index of Gilt-Edged Bargains – can be found on the capital markets page, next to the Liffe *equity options table.*

Both the FT-SE Eurotrack 100 and 200 indices now appear on the World Stock Markets page.

MARKET REPORTERS:
Joel Kibazo
Peter John
Steve Thompson

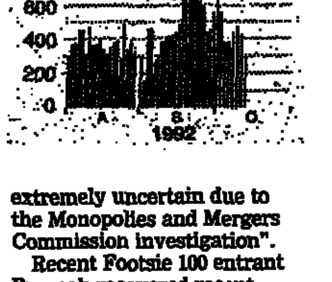
■ Other market statistics, Page 28.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business & Overseas turnover



Account Dealing Dates

*First Dealings:		
Oct 5	Oct 19	Nov 2
Option Declarations:		
Oct 15	Oct 29	Nov 12
Last Dealings:		
Oct 16	Oct 30	Nov 13
Account Day:		
Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (46).
BRITISH FUNDS (17) Tr. 8½pc '94, Tr. 9pc '94, Tr. 12pc '95, Tr. 14pc '96, Tr. 15¼pc '96, Ex. 13¼pc '96, Cv. 10pc '96, Tr. 13¼pc '97, Ex. 10½pc '97, Ex. 9¾pc '98, Tr. 15½pc '95-98, Tr. 10½pc '99, Cv. 10¼pc '99, Cv. 9pc '00, Tr. 13pc '00, Tr. 10pc '01, Tr. 9¾pc '02, OTHER FIXED INTEREST (2) N'wide Anglia 3⅞pc IL '21, Do 4⅛pc IL '24, AMERICANS (1) NYNEX, BANKS (1) HSBC, BUSINESS SERVICES (1) Reliance Sec., CHEMICALS (1) Halstead (J), ELECTRICALS (1) Johnson, ELECTRICITY (2) China Light, Scot. Power, ELECTRONICS (2) Elect'compo., Racal, ENGINEERING GENERAL (1) Vosper, FOOD RETAILING (2) Morrison (Wm), Do 5¼pc Pf., HEALTH & HOUSEHOLD (1) Amersham Intl., INSURANCE BROKERS (1) Marsh & McLennan, INSURANCE COMPOSITE (1) Aon, INVESTMENT TRUSTS (6) Abtrust New Dawn, Gen. Cons. Stppd. Pf., Henderson Eurotrust Units, Hong Kong Wts., Independent Inv., MEDIA (3) Carlton Comms., Do 6½pc Pf., Reuters, MOTORS (1) First Tech., OIL & GAS (1) Lasmo 5⅞pc Pf., TELEPHONE NETWORKS (1) BT, TRANSPORT (1) LOF's.
NEW LOWS (48).
BREWERS & DISTILLERS (1) Merrydown, BUILDING MATERIALS (2) RMC, Ramus, BUSINESS SERVICES (1) Prime People, CHEMICALS (2) Canning (Wm), Leigh Ints., CONGLOMERATES (1) Grampian, CONTRACTING & CONSTRUCTION (1) Birse, ENGINEERING AEROSPACE (2) AIM, UMECO, ENGINEERING GENERAL (2) Simon, WB Inds., FOOD MANUFACTURING (1) Pambigan, FOOD RETAILING (1) Cullen's, HOTELS & LEISURE (1) Hi-Tec, INSURANCE LIFE (1) Transatlantic, INVESTMENT TRUSTS (1) First Ireland Wts., MEDIA (1) Osprey Comms., METAL & METAL FORMING (1) Metsec, MOTORS (1) Caffyns, OIL & GAS (1) Crossroads, OTHER FINANCIAL (4) Aberdeen Tst., Aitken Hume, Brown Shipley, Ivory & Sime, PACKAGING, PAPER & PRINTING (3) Sappi, Unit, Waco, PROPERTY (3) Bourne End, Cabra Ests., Derwent Valley, STORES (2) Hughes (TJ), Rosebys, MINES (13) Anglo American, Beatrix, Burnin Expl., Doornfontein, Driefontein, Elandsrand, FS Cons., Grootvlei, OFS Invs., Oryx Gold, Rustenburg, Western Deep, Winkelhaak.

FINANCIAL TIMES EQUITY INDICES

	Oct 13	Oct 12	Oct 9	Oct 8	Oct 7	Year ago	High	Low
Ordinary share	1891.0	1878.8	1865.2	1870.4	1847.3	1980.5	2149.7	1670.0
Ord. div. yield	4.72	4.76	4.78	4.78	4.82	4.73	5.34	4.24
Earning yld % full	6.75	6.80	6.94	6.94	7.01	7.47	-	-
P/E ratio net	18.82	18.67	18.27	18.26	18.08	16.73	20.84	15.79
P/E ratio nil	17.50	17.36	16.94	16.93	16.77	15.88	-	-
Gold Mines	73.8	77.7	79.7†	80.4†	78.6 †	163.9	180.6	65.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/8/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55. † Correction.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1886.8	1879.0	1879.7	1873.0	1871.2	1871.9	1869.9	1870.1	1889.4	1892.4	1867.0

Volume	Oct 13	Oct 12	Oct 9	Oct 8	Oct 7	Year ago
SEAQ Bargains	21,280	17,739	20,660	18,847	18,571	23,960
Equity Turnover(£m)†	-	625.4	873.9	1068.7	1050.5	897.7
Equity Bargains†	-	20,026	23,103	21,124	20,880	23,795
Shares traded (mil)†	-	299.1	407.8	471.7	442.0	468.2

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in the derivatives markets remained at relatively low levels but picked up substantially during the afternoon when business expanded rapidly, writes Steve Thompson.

The late surge came after Abbey National cut its mortgage loan rates in a move interpreted by the market as the forerunner of another cut in UK interest rates.

In stock index futures, the December contract opened at 2,612 and drifted back to the *2,588 level in very quiet trad*ing, before stabilising and edging back up to the 2,600 mark over the lunchtime period.

The afternoon however saw the market transformed by the Abbey news, Footsie bid speculation and a sharp opening rise *on Wall Street,* sending the market sharply better and producing a flurry of buying.

This moved the contract from the 2,600 level to 2,640 in a ten minute period and it ended a volatile session at 2,641, 21 points above its fair value premium to cash, estimated at 32 points. Turnover, although up on Monday's 5,896 contracts, totalled a disappointing 7,795 contracts.

In traded options, total volume reached 25,991 contracts, with the FT-SE 100 option trading 9,170 lots. Dealers noted the continuing heavy activity in Asda stock options which topped the actives list for the second consecutive session with 3,318 contracts traded. Tesco options were also active, with 1,479 contracts traded.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2584.7 +27.5	2410.9 +7.9	1218.33 +10.56

	Oct 13	Oct 12	Oct 9	Oct 8	Oct 7	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2584.7	2557.2	2541.2	2538.8	2517.1	2579.0	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2410.9	2403.0	2392.9	2387.0	2377.7	2536.6	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1241.9	1230.4	1223.3	1221.7	1212.4	1252.8	1324.7	1103.1	1342.7 11/5/92	684.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2567.2	2559.9	2562.6	2555.4	2553.9	2554.6	2552.9	2554.7	2587.4	2587.7	2549.5
FT-SE Mid 250	2407.5	2405.8	2401.2	2399.1	2397.2	2398.7	2399.0	2399.3	2410.7	2411.0	2396.3
FT-SE-A 350	1234.8	1231.8	1232.3	1229.3	1228.6	1229.0	1228.4	1229.1	1242.9	1243.0	1226.9

Gross dividend yield (ACT at 25%) FT-SE 100: 4.65%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Oct 13 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Oct 12 Index No.	Fri Oct 9 Index No.	Thu Oct 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	749.53	+0.9	7.59	5.83	17.17	27.44	742.61	743.36	743.62	823.09
2 *Building Materials (23)*	*679.44*	*+1.0*	7.71	*8.03*	*18.37*	*34.67*	*672.42*	*666.78*	680.57	996.74
3 Contracting, Construction (26)	577.09	-0.7	3.66	8.62	177.71	32.23	581.07	590.41	600.48	1075.47
4 Electricals (9)	2023.69	-1.4	8.26	7.44	16.00	85.80	2052.58	2054.83	2042.75	2537.93
5 Electronics (27)	2111.16	+1.5	7.72	4.04	16.28	47.93	2080.24	2095.14	2080.91	1748.55
6 *Engineering-Aerospace (6)*	286.11	+0.9	12.60	8.16	10.07	13.53	283.47	281.04	280.47	355.62
7 Engineering-General (43)	445.89	+0.4	9.06	5.27	14.08	15.00	444.24	449.80	450.14	490.17
8 Metals and Metal Forming (7)	307.90	-0.4	5.64	7.11	25.76	7.52	309.15	311.71	307.63	427.89
9 Motors (14)	294.49	+1.1	6.53	8.02	22.87	14.79	291.17	288.55	289.23	342.21
10 Other Industrials (19)	1758.57	+1.3	7.10	4.73	17.02	59.29	1735.24	1731.18	1723.40	1609.39
21 CONSUMER GROUP (191)	1608.10	+0.9	7.17	3.59	17.28	34.19	1594.04	1587.31	1586.91	1544.44
22 Brewers and Distillers (25)	1924.86	+1.3	8.65	3.83	13.93	41.43	1900.86	1912.11	1908.64	1931.48
25 Food Manufacturing (19)	1207.18	....	8.88	4.38	13.93	28.04	1207.59	1195.70	1201.79	1205.03
26 Food Retailing (18)	2882.44	+3.1	8.66	3.21	14.98	53.95	2796.88	2763.35	2728.78	2467.73
27 Health and Household (26)	4189.50	+0.9	5.26	2.64	22.05	70.35	4153.00	4152.75	4158.91	3724.43
29 Hotels and Leisure (18)	1054.53	-0.5	7.45	6.47	17.65	45.99	1059.49	1054.37	1059.12	1316.20
30 Media (26)	1613.38	+0.9	6.12	3.26	20.39	35.10	1599.68	1590.62	1597.36	1538.83
31 Packaging, Paper & Printing (17)	721.39	+0.6	7.03	4.50	17.70	22.00	717.39	710.32	717.35	762.12
34 Stores (33)	1029.14	+0.3	6.92	3.52	19.23	19.14	1026.53	1013.71	1009.60	996.99
35 Textiles (9)	659.56	-0.6	7.20	4.65	17.49	16.65	663.58	664.93	670.34	626.34
40 OTHER GROUPS (117)	1295.00	+0.9	9.63	5.23	13.00	40.44	1283.84	1272.50	1267.72	1277.31
41 Business Services (18)	1343.45	+0.7	6.58	3.78	18.61	25.69	1333.98	1328.07	1312.43	1401.75
42 Chemicals (22)	1333.46	....	7.35	5.44	16.88	48.39	1333.57	1328.72	1323.23	1456.19
43 Conglomerates (10)	1281.50	+1.0	9.00	8.58	14.23	40.82	1268.67	1256.30	1259.95	1498.76
44 Transport (14)	2493.12	+0.8	8.06	4.74	15.26	76.54	2473.52	2459.47	2449.33	2330.38
45 Electricity (16)	1435.79	+0.1	14.46	5.11	8.91	55.01	1434.69	1411.65	1402.58	1221.30
46 Telephone Networks (4)	1500.31	+2.4	10.07	4.40	12.94	46.15	1465.29	1445.10	1431.56	1575.72
47 Water (11)	2879.19	-0.6	15.53	6.01	7.12	86.85	2896.09	2885.98	2871.51	2384.88
48 Miscellaneous (22)	2160.04	+0.5	6.11	4.67	20.54	55.33	2148.38	2139.54	2157.07	1859.25
49 INDUSTRIAL GROUP (482)	1292.76	+0.9	8.05	4.51	15.57	35.07	1281.40	1275.17	1273.50	1282.28
51 Oil & Gas (18)	2048.18	+0.8	6.59	6.33	19.90	85.40	2031.81	2013.36	2019.42	2441.88
59 500 SHARE INDEX (500)	1363.27	+0.9	7.90	4.69	15.93	39.07	1351.41	1344.25	1343.09	1381.38
61 FINANCIAL GROUP (83)	762.91	+0.9	-	5.79	-	30.11	755.97	749.74	747.37	803.67
62 Banks (9)	1041.73	+0.7	4.98	5.34	30.18	40.52	1034.80	1019.72	1016.63	955.97
65 Insurance (Life) (6)	1565.30	+1.5	-	5.81	-	67.14	1542.04	1545.32	1539.04	1467.40
66 Insurance (Composite) (7)	537.69	+1.6	-	5.60	-	18.85	529.14	526.31	524.93	604.54
67 *Insurance (Brokers) (10)*	*708.48*	*-0.7*	*10.11*	*7.93*	*13.00*	42.23	713.23	*717.02*	*698.66*	*1132.64*
68 Merchant Banks (7)	467.09	+0.4	-	4.80	-	13.71	465.34	466.04	465.27	469.84
69 Property (30)	548.91	+1.6	10.27	8.07	12.92	22.76	540.12	539.74	541.38	921.05
70 Other Financial (14)	242.68	+0.4	8.23	6.88	15.95	9.35	241.70	241.77	241.57	258.86
71 Investment Trusts (70)	1154.09	+0.5	-	3.89	-	27.18	1148.01	1145.62	1142.42	1231.33
99 ALL-SHARE INDEX (653)	1218.33	+0.9	-	4.82	-	36.41	1207.77	1201.00	1199.54	1241.92

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1142.4	1141.2	1133.4	1125.0	1122.3	1122.3	1121.1	1121.1	1133.8	1133.8	1145.8	-12.0
Health&H	1266.0	1255.2	1258.3	1248.7	1249.3	1250.6	1250.5	1253.7	1267.3	1268.0	1256.7	+11.3
Water	1198.6	1195.6	1183.8	1183.0	1180.2	1184.2	1184.8	1186.4	1189.9	1189.7	1197.0	-7.3
Banks	1257.4	1255.8	1260.2	1256.9	1255.2	1254.2	1250.6	1249.0	1268.1	1265.6	1255.6	+10.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 8¼pc 1993	100	—	100	97½	8.25	[illegible]
10pc 1993‡‡	100½xd	—	101	99⅛	9.90	[illegible]
12½pc 1993‡‡	103⅛	—	103⅞	100½	12.16	[illegible]
Funding 6pc 1993‡‡	98½	—	98½	95⅜	6.07	[illegible]
Treas 13¾pc 1993‡‡	106⅛	—	106½	103⅛	12.96	[illegible]
8½pc 1994	100½	+⅛	100½	96¼	8.43	[illegible]
14½pc 1994‡‡	108½	—	109⅛	104½	13.30	[illegible]
Exch 13½pc 1994	107½xd	—	107½	103½	12.61	[illegible]
Treas. 10pc Ln. 1994‡‡	103⅛	—	103⅞	96½	9.68	[illegible]
Exch 12½pc 1994	107½	—	107½	103⅛	11.61	[illegible]
Treas 9pc 1994‡‡	102⅛xd	+⅛	102⅛	95⅝	8.82	[illegible]
12pc 1995	107½	+⅛	107½	102½	11.12	[illegible]
Exch 3pc Gas 90-95	92xd	—	94½	88¼	3.25	[illegible]
10¼pc 1995	105⅛	—	105⅛	99⅛	9.74	[illegible]
Treas 12¾pc 1995‡‡	112⅛xd	+⅛	112¼	106¼	11.36	[illegible]
14pc 1996	115⅛	+⅛	116⅛	109½	12.11	[illegible]
9pc 1992-96‡‡	101½	-⅛	101⅞	96⅛	8.87	[illegible]
15¼pc 1996‡‡	120½xd	+⅛	120½	113½	12.66	[illegible]
Exch 13¼pc 1996‡‡	114½xd	+⅛	114½	108	11.59	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	16⅞xd	+⅛	19⅛	14⅝	14,233	2.1
♥Allegheny & W	390p	—	487p	226p	282.7	4.5
Amdahl	484p	+29	1159p	455p	543.5	1.2
Amer Cyanamid	32	+⅛	37	28⅝	2,887	3.0
Amer Express	11⅞xd	-⅛	13⅞	10⅛	5,807	5.0
Amer T & T	24¼xd	+⅛	25[illegible]	20⅛	32,814	3.1
Ameritech	39½	+⅞	40⅛	32½	17,294	5.2
BankAmerica	24[illegible]xd	+⅛	27⅛	19[illegible]	8,463	3.1
Bankers NY	37⅛xd	-⅝	39[illegible]	28⅞	2,979	4.4
Bell Atlantic	27½	+⅛	28⅝	23⅛	11,872	5.5
BellSouth	31	+½	32⅞	25	15,155	5.2
♥Bethlehem Steel	8[illegible]xd	+[illegible]	9⅝	5¾	582.3	—
Bowater	1055pxd	-25	1579p	905p	381.4	6.6
CPC h	28[illegible]xd	+[illegible]	28⅞	22⅞	4,042	2.6
♥Cadiz Land Inc	120p	—	342p	128p	—	—
California Engy	758p	—	830p	591p	130.8	—
Chase Manhattan	12[illegible]xd	+[illegible]	16½	9¼	1,876	5.6
Chrysler	13[illegible]xd	+½	13[illegible]	6¼	3,929	2.6
Citicorp	9xd	+[illegible]	11¼	5⅛	3,273	—
Colgate-Palm	34xd	+⅛	34[illegible]	25¼	5,430	2.1
Cont'l Bank	945p	+12	1036p	495p	954.9	3.7
Dana	21⅝xd	+[illegible]	24½	14[illegible]	991.5	4.3
Data General	674p	+28	1084p	384p	186.8	—
♥Decora Indc	118p	—	122p	66p	—	—
Dun & Brad	33¼	+¼	34	27⅝	6,021	3.9
Eaton	44⅛	+⅛	48½	32½	1,523	2.9
Echlin	11[illegible]xd	+[illegible]	11¾	7⅛	657.8	3.6
FPL	20[illegible]xd	—	21¼	17[illegible]	3,782	6.8
Fluor	24[illegible]xd	+⅛	27	19¼	2,822	0.9
Ford Motor	21¼xd	+⅞	26⅛	15	10,360	2.7
Gen Elec	44[illegible]xd	+[illegible]	46⅛	36¼	37,643	3.1
♥General Host	530p	-22	572p	360p	—	3.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

MOTORS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

INVESTMENT COMPANIES

MEDIA

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § *Forecast dividend yield; p/e based on earnings updated by latest interim statement.*
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other *official estimates.* c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on *latest annual earnings.* u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. *F Yield based on prospectus or other* official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other *official estimates for* 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Sharp (Albert E.J) & Co (1000)F
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries 0277 227300 Dealing 0277 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Bond & Conv	5	112.80	112.10	118.00	-1.10	6.51
Pooled Pensions	3½	127.9	132.3	136.9	—	—
Smaller Cos	5	50.46	52.14	54.88	-0.04	2.75
UK General	5	104.10	105.60	111.20	+0.78	2.74

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	326.70	326.70	346.30	+1.82	5.96
Global Inc	5	46.54	46.54	49.33	+0.20	4.96
Brit Leaders	5	279.84	279.84	296.63	+1.32	3.44
Intl Leaders	5	146.06	146.06	154.87	-0.43	2.22
[illegible]	3½	45.30	46.04	47.85	-0.03	4.47
[illegible]	3½	45.30	46.04	47.85	-0.03	4.47

Singer & Friedlander UT Mngmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	42.97	42.97	45.71	-0.74	2.38
Far Eastern Tst	6	-	-	-	50.00	1.00
Smaller Cos	5	105.9	110.3	117.3	-0.1	5.09

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	218.4	218.8	231.2	-3.5	1.84
S & W Capital	5	97.91	97.91	105.0	+0.3	2.06
S & W Cash	0	100.53	100.53	100.53	+0.06	9.21
S & W European	5	95.25	95.64	102.2	-0.3	1.99
S & W Far Eastern	5	95.36	95.36	101.7	+0.9	0.17
S & W Growth	5	106.2	107.0	115.6	+0.5	1.75
S & W Income	5	91.38	92.78	98.18	+0.2	6.07
S & W Magnum	5	103.4	103.4	111.8	+0.3	1.97
S & W Smaller Cos	5	231.0	236.3	250.0	—	1.29
S & W Thoroughbred	5	119.4	119.4	128.1	+0.3	1.93

Societe Generale Tauche Remnant (1600)F

[illegible]

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2½	78.82	78.82	[illegible]	[illegible]	2.00
Short Dtd Gilt	1¼	102.3	102.0	103.3		1.95
U.S. Govmt Bond	1¼	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Gilt Income	4	48.91	48.91	50.49	[illegible]	[illegible]
Gilt Growth	4	52.72	50.72	52.76	[illegible]	0.00
Gilt Reserve	0	54.78	54.78	54.78	[illegible]	10.6

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd F	5	54.83	57.00	[illegible]	[illegible]	[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Int'l Exmt Sep 25	[illegible]	547.61		1.27

James Capel Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	[illegible]	[illegible]		4.68

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Fund Sep 30	527.49	554.90		5.69
Fxd Int Sec Sep 30	144.45	145.00		10.00

Deposit Fund: See Money Market Trust Funds

Charlaco/Charlshares (1000)F
33 King William Street, EC4R 9AS 071-280 2800

[illegible]

INSURANCES

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd	572.8	609.4	-0.2	-
Adventurous Mngd	133.0	141.5	....	-
Cautious Mngd	112.3	119.5	+0.1	-
Cash Fd	311.4	328.2	....	-
Property Fund	216.8	230.7	....	-
Equity Fund	637.7	678.5	-0.8	-
Fxd Int. Fund	368.8	388.7	+0.2	-
International	287.7	306.1	-0.8	-
High Income	505.2	537.5	+0.7	-
Far East	383.8	408.4	-1.4	-
North American	342.6	364.5	+1.6	-
Special Sits	462.3	491.9	-1.1	-
Technology	339.3	361.0	+2.8	-
Extra Inc Fd	274.5	292.1	+0.5	-
Convertible & Gilt Fd	130.9	139.3	+0.3	-
American Income	149.6	159.2	+0.3	-
Gilt Fund 20	415.0	441.5	+0.3	-
European Fund	104.0	110.7	-0.5	-
Pref & Fixed Int	100.1	106.5	+0.1	-
UK Blue Chip	104.6	110.3	+0.1	-
Recovery Fund	95.3	100.5	-0.2	-
Equity Income Dist.	91.4	97.3	.	5.25
Managed Dist.	88.3	94.0	-0.1	5.60
High Yield Dist.	95.2	100.4	+0.1	7.89
Pension Funds				
Balncd Gth Mngd Pens Acc	650.7	685.0	-1.4	-
Adventurous Mngd Pens Acc	134.2	141.3	-0.2	-
Cautious Mngd Pens Acc	127.3	134.1	...	-
Building Soc. Acc.	357.6	376.5	....	-
Property Pens. Acc	294.3	309.8	..	-
Fix. Int. Pens. Acc.	579.5	610.0	+0.5	-
Equity Pens. Acc.	794.7	836.6	-2.0	-
International Pens Acc.	260.2	273.9	-1.3	-
High Inc Pens Acc	558.2	587.6	+0.9	-
Tech Pens Acc.	230.4	242.6	+2.5	-
N American Pens Acc.	250.9	264.2	+0.6	-
Far Eastern Pens Acc.	376.6	396.5	-1.3	-
Special Sits Pens Acc.	379.3	399.3	-0.9	-
Extra Income Pens Fd	333.8	351.4	+0.3	-
Convertible & Gilt Pen.	160.2	168.7	+0.2	-
American Inc Pens.	166.6	175.4	+0.2	-
European Pens.	114.9	121.0	-0.9	-
Managed Cash Pens.	168.3	177.2	....	-
Pref & Fixed Pens	116.5	122.7	+0.1	-
UK Blue Chip	108.9	114.7		-
Recovery Fund	99.9	105.2	-0.2	-
Unitised With Profits Pens.	105.4	111.0	...	-
Other Funds				
Margetts Growth	108.0	113.7	+0.2	-
Margetts Income	110.5	116.4	+0.1	-
Margetts Pension	116.4	122.6	+0.3	-
DWC Growth & Income	116.0	122.2	(z)	-
NCH Managed	108.3	114.1	.	-
B&B Select Mngd	95.3	100.4	+0.1	-
JNJ Managed Pension	109.9	115.7	+0.8	-
IAS Managed	113.7	119.7	-0.2	-
Hedderwick Retirement P'folio	96.9	102.1	+0.2	-
FIC Prosperity	143.4	151.0	+0.3	-
Cap Retirement P'folio	112.3	118.3	....	-
Pembroke Intl	90.4	95.2	-0.2	-
Marsh Retirement Portfolio	88.1	92.8	-0.2	-
IAS Pension Managed	136.4	143.6	-0.1	-
Capital Income & Growth	100.5	105.8	-0.4	-
Map Balanced Asset	101.4	106.8	-0.1	-
Countrywide Managed Pens	94.9	99.9	-0.1	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq. Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or −	Yield Gross
Initial Equity	144.5	152.5	+0.5	-
Accum Equity	217.0	228.5	+0.5	-
Accum Managed	224.5	237.0	....	-
Accum Five Star	156.5	165.5	-0.5	-
Accum World	122.5	129.5	+0.5	-
Accum Emerg Mkts	177.5	187.5	-1.0	-
Pens Acc Equity	239.5	253.0	+1.0	-
Pens Acc Managed	289.0	304.5	....	-
Pens Acc Emerg Mkts	197.0	208.0	-1.0	-
Pens Acc Deposit	226.5	239.0	....	-
Pens Acc Five Star	170.0	179.5	-0.5	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	213.5	225.3	-0.2	-
UK Fixed Int Acc	203.9	215.1		-
Intl Equities Acc.	172.0	181.5	-1.4	-
UK Managed Acc.	166.6	175.7	-0.9	-
Property Acc.	225.7	238.1		-
Money Acc	142.2	150.0	+0.1	-
Special Market Acc.	156.0	164.6	+0.4	-
Japan Equity Acc.	81.1	85.6	-0.4	-

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd	165.5	174.2	..	-
Equity Acc Fd	358.3	377.2	+1.0	-
Managed Acc Fd	315.3	331.8	....	-
Prop Fd (1st Issue)	-	570.1		-
Prop Acc Fd (2nd Iss)	116.8	122.9	.....	-
Unit Trust Mn Fd	132.8	139.8	..	-
RL Pension Funds				
Deposit Acc	239.2	251.7	....	-
Equity Acc	258.1	271.7	+0.9	-
Fixed Int Acc	232.4	244.6	....	-
Gtl Index Lnk Acc	175.6	184.8	..	-
Managed Acc	337.8	355.6	....	-

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
JRA/M&G Managed	100.7	106.1	+0.20	-
JRA/Scottish Amicable Mngd	97.20	102.4	+0.60	-
JRA/St James's Place Mngd	103.0	108.5	+0.10	-
Deposit	98.60	103.8	.	-
Far East	102.5	107.9	+0.50	-
Gilts	99.70	105.0	+0.10	-
Greater European	102.4	107.8	-0.80	-
North American	106.0	111.6	+1.80	-
UK Equity	100.3	105.6	+0.60	-
Pension Funds				
JRA/M&G Managed cap.	97.50	102.7	+0.10	-
JRA/M&G Managed acc.	100.1	105.4	+0.20	-
JRA/Scot Amicable Mngd cap.	93.90	98.90	+0.60	-
JRA/Scot Amicable Mngd acc.	96.30	101.4	+0.60	-
JRA/St James's Pl Mngd cap.	103.3	108.8	+0.10	-
JRA/St James's Pl Mngd acc.	106.0	111.6	+0.10	-
Deposit cap	98.80	104.0	.	-
Deposit acc	101.3	106.7	..	-
Far East cap	97.70	102.9	+0.60	-
Far East acc.	100.3	105.6	+0.60	-
Gilts cap.	98.20	103.4	+0.10	-
Gilts acc.	100.7	106.1	+0.10	-
Greater European cap	101.4	106.8	-1.10	-
Greater European acc.	104.1	109.6	-1.00	-
North American cap.	105.9	111.5	+2.50	-
North American acc.	108.5	114.3	+2.40	-
UK Equity cap.	96.90	102.0	+0.60	-
UK Equity acc.	99.40	104.7	+0.70	-

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or −	Yield Gross
Multi Gwth		557.9	.	-
Multi Gwth A Cap.	367.1	386.4	..	-
Multi Gwth A Accum.	557.9	587.3	-	-
Op Prop.	401.5	422.7	(z)	-
Op Equity	759.2	799.2	(z)	-
Op High Yld	470.5	495.3	(z)	-
Op Man	592.5	623.7	(z)	-
Op Dep.	364.2	383.4	(z)	9.00
Op Inc Dist.	185.7	195.5	(z)	7.47
Op Int Man	310.0	326.4	(z)	-
Op Emerging Co's	301.3	317.2	(z)	-
Op Money	101.4	106.8	.	-
European	-	-		-
Pension Funds				
Property Ser B	761.7	801.8	(z)	-
Equity Ser B	2274.8	2394.6	(z)	-
Fixed Interest Ser B	885.7	932.4	(z)	-
Managed Ser B	1148.1	1208.6	(z)	-
Deposit Ser B	765.1	805.4	(z)	-
Money Ser B	100.7	106.0	.	-
Property Ser D		198.4	(z)	-
Equity Ser D		156.1	(z)	-
Fixed Interest Ser D		222.9	(z)	-
Managed Ser D		149.1	(z)	-
Deposit Ser D		230.3	(z)	-
Money Ser D		107.4	.	-
Pension Unit Trust Funds				
Gartmore Global Ser B	175.6	184.9	(z)	-
Gartmore NA Ser B	111.7	117.6	(z)	-
Gartmore Pacific Ser B	318.5	335.3	(z)	-
Henderson Acc Ser B	184.9	194.7	(z)	-
Perpetual Mng Ser B	198.9	209.4	(z)	-
Framlington Mia Ser B	179.0	188.5	(z)	-
Gartmore Mngd Ser B	208.4	219.4	(z)	-
Gartmore Euro Ser B	146.8	154.6	(z)	-
Gartmore Global Ser D		113.1	(z)	-
Gartmore NA Ser D		129.7	(z)	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc *	12 6	14 0		12 0
Projected Yield				
John Govett Management (IoM) Ltd				
[illegible]	$20 57		—	—
[illegible]	£9 17			—
[illegible]	£10 60			—
SE Asian Wts NAV Oct 8	$9 48			—
Govett Mgd Ptnr Oct 9	£13 95	14 26		—
Govett Mngd Ftrs Oct 9	$10 65	10 97		—
[illegible]	$23 21			—
[illegible]	$5 96			—
Dly Capped [illegible] Oct 9	$8 05			—
IBL Global Funds Limited				
Intl Stlg Gwth	£18 31	19 36		—
Intl $US Gwth	$17 84	18 79		—
High Income Gilt	£24 30	25 20		—
International Equity	£18 18	19 14		—
International Bond	£21 35	22 13		—
Managed Currency	£26 32	26 99		—
Sterling Currency	£26 11	26 39		—
US$ Currency	$37 64	38 03		—
Irish £ Currency	I£14 84	15 00		—
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8 02	8 64		—
B F Offshore Inc Fd Ltd	£10 96	11 47		—
[illegible]	£8 80	9 15		—
LFM Sterling Fd	£10 58	11 03		—

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc	£1 538	1 650	+0 009	2 84
Japan Inc & Gwth	£1 303	1 399	-0 014	1.93
Sterling Denominated Growth Funds				
Capital Deposit	£37 47	37 48	+0 06	—
European Performa	£0 3968	0 4267	-0 0010	—
Far East	£2 213	2 380	-0 006	—
Pioneer Markets	£3 146	3 383		—
UK Growth	£1 125	1 209	+0 004	2.31
C Mag Portfolio	£1 425	1 541	+0 004	—
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0 653	0 702	-0 003	—
Japan Performance	$2 076	2 232	+0 005	—
Cat NW 1994	$9 10	—		—
MIM London Agents				
Apollo Fd Oct 7	$T72 50	77 81		—
Weekly Dealing †Fortnightly Dlng *Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds Intl World Inc Port	£2 279	2 393		1 18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge	£9 46	9 51		9 89
Minerals, Oils Res. Shrs. Fd. Inc.				
Mines Oct 8	$13 82	14 10		2.84
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income	50 8	53 0		8.47
UK Equity Fd	198 3	212 0	-0 01	3 03
*Intl Bond Fd	94 0	97 0		7 53
**Natural Resources Fd	110 2	117 0		0 43
Sterling Mngd Asset Fd	501 9	529 0		5 00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCor Currency Fund				
Dollar Class	$37 9319		+0 0262	—
Sterling Class	£26 5939		+0 0050	—
D-Mark Class	DM82 4152		+0 0183	—
Dutch Guilder Class	Dfl91 9821		+0 0166	—
Japanese Yen Class	Y7921 1473		+0.7240	—
Adherton Regency Portfolio Ltd				
[illegible]	£0 48	10 89		—
[illegible]	$10 10	10 47	-0 12	—
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 8	$32 80	34 89		—
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3 5963	3 8218		—
Offshore Japanese Gwth Fd	$0 9146	0 9720		—
Offshore Am Gwth Fd	$5 6469	6 0010		—
Offshore Emerging Cos	$3 3914	3 6041		—

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 0534 36635

Barclays International Funds
PO Box 152, St Helier, Jersey CI 0534 67888

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Cautious trading in US dollar

THE DOLLAR oscillated in a two pfennig range against the D-Mark yesterday as dealers analysed different messages in Europe and the US about the American currency's future, *writes James Blitz*.

The possibility that the Bundesbank will ease official interest rates at its council meeting tomorrow continued to support the dollar. The German central bank again injected liquidity into the market at the rate of 8.9 per cent, 60 basis points below the Lombard rate ceiling, suggesting that the rate differential between the US and Germany is set to narrow.

But, whatever happens in Frankfurt, there will probably be a firm cap on the dollar between now and the US presidential election on November 3. Mr Neil MacKinnon, chief economist at Citibank in London, believes that the dollar is trapped in a DM1.45-DM1.50 range until then.

He is much more positive for the dollar after that, believing that the US-German differentials in economic growth and interest rates will narrow. "I see a DM1.67 target over the next six months," he said.

Mr Mark Slater, head of foreign exchange at Merrill Lynch in London, agrees. He believes that the dollar is already supported by a flood of players who do not want to be left out of the upward rush when it comes.

In his view, a victory for Mr Bill Clinton, the Democratic challenger, is now being seen more positively by dealers. "That would mean having a a Democratic President and Congress," he said. "Rather than having a lame duck president, you might have one who gets things done."

The dollar closed at DM1.4680 against the D-Mark, down less than ½ a pfennig on the day. In New York trading at lunchtime, it was at DM1.4700.

Sterling continued to consolidate above DM2.50, helped by the UK chancellor's renewed emphasis on supporting the exchange rate when he appeared before British MPs on Monday. The pound closed at DM2.5200, up nearly a pfennig on the day.

In spite of Mr Lamont's comments, there is a feeling that the UK is moving into a position where it could cut interest rates without damaging the pound. Yesterday's UK producer prices figures for September showed the lowest monthly rise in 25 years, indicating that the disinflationary momentum in the UK is very great. Mr MacKinnon believes that retail price inflation could now be easily contained to 3½ per cent next year.

He believes that dealers will now invest in countries which show signs of growth. One analyst said yesterday: "European countries may now compete to cut rates significantly below German levels. Those that end up cutting rates too late will find that an easing has already been priced into the market."

£ IN NEW YORK

Oct 13	Close	Previous Close
£ Spot	1.7175-1.7185	1.7055 1.7070
1 month	0.85-0.83pm	N/A
3 months	2.22-2.19pm	N/A
12 months	7.15-7.05pm	N/A

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 13	Previous
8.30 am	83.4	82.6
9.00 am	83.4	82.6
10.00 am	83.5	82.4
11.00 am	83.6	82.7
Noon	83.6	82.6
1.00 pm	83.5	82.7
2.00 pm	83.3	82.7
3.00 pm	83.6	82.7
4.00 pm	83.4	82.8

CURRENCY MOVEMENTS

Oct 13	Bank of England Index	Morgan Guaranty Changes %
Sterling	83.4	N/A
U S Dollar	61.7	N/A
Canadian Dollar	94.8	N/A
Austrian Schilling	114.2	N/A
Belgian Franc	116.1	N/A
Danish Krone	115.1	N/A
D-Mark	125.5	N/A
Swiss Franc	113.9	N/A
Dutch Guilder	119.5	N/A
French Franc	109.8	N/A
Lira	87.1	N/A
Yen	147.0	N/A
Peseta	99.7	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Oct.12

CURRENCY RATES

OTHER CURRENCIES

Oct 13	£	$
Brazil	11684.7 - 11691.9	6821.20 - 6821.40
Finland	8.0075 - 8.1025	4.6550 - 4.6750
Greece	323.050 - 329.550	190.620 - 194.440
Hong Kong	13.2220 - 13.2430	7.7325 - 7.7335
Iran	2427.00*	1435.00*
Korea(Sth)	1325.45 - 1346.65	781.60 - 787.80
Kuwait	0.50500 - 0.50600	0.29420 - 0.29500
Luxembourg	51.95 - 52.05	30.25 - 30.35
Malaysia	4.2850 - 4.2945	2.5080 - 2.5090
Mexico	5140.50 - 5152.10	3113.50 - 3114.50
N Zealand	3.1415 - 3.1445	1.8370 - 1.8390
Saudi Ar	6.3370 - 6.4510	3.7495 - 3.7505
Singapore	2.7565 - 2.7640	1.6120 - 1.6130
S Af (Cm)	4.9050 - 4.9195	2.8660 - 2.8680
S Af (Fn)	7.5335 - 7.5830	4.4055 - 4.4345
Taiwan	43.10 - 43.25	25.20 - 25.30
U A E	6.2050 - 6.3185	3.6715 - 3.6735

*Floating rate Iran Official rate £107.05 $63.95

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.5775	-3.28	4.62	48
Dutch Guilder	2.29193	2.21764	-3.24	4.57	47
D-Mark	2.03412	1.97029	-3.14	4.46	55
Danish Krone	7.75901	7.59970	-2.05	3.31	-10
French Franc	6.82216	6.68757	-1.97	3.22	-17
Irish Punt	0.759300	0.750828	-1.12	2.33	-52
Portuguese Escudo	176.844	175.401	-0.82	2.02	0
Spanish Peseta	139.176	140.824	1.18	0.00	-35

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7020 - 1.7185	1.7165 - 1.7175	0.84-0.82cpm	5.8	2.24-2.21pm	5.18
Canada	2.1165 - 2.1405	2.1370 - 2.1380	0.30-0.09cpm	1.09	0.76-0.37pm	1.06
Netherlands	2.8115 - 2.8600	2.8275 - 2.8375	par-¼cdis	-0.26	¼-¼dis	-0.26
Belgium	51.45 - 52.50	51.95 - 52.05	1-3cpm	0.46	3-7dis	-0.38

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Oct 13	Short term	7 Days notice	One Month
Sterling	9½ - 9¼	9¼ - 9⅛	8¹¹⁄₁₆ - 8⅜
US Dollar	3½ - 3⅜	3¼ - 3⅛	3¼ - 3⅛
Can. Dollar	7¼ - 6⅞	7 - 6¾	7⅜ - 7¼
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8⅞
Swiss Franc	6⅛ - 5⅞	6 - 5¾	6⅜ - 6¼
D-Mark	9¼ - 9⅛	9⅛ - 9¹⁄₁₆	9⅛ - 9
French Franc	11½ - 11¼	11¼ - 11⅛	11¼ - 11⅛
Italian Lira	21 - 16	16 - 15	15½ - 15
Belgian Franc	9 - 8¾	9 - 8¾	9 - 8¾
Yen	4⅛ - 4¹⁄₁₆	4⅛ - 4¹⁄₁₆	4⅛ - 4
Danish Krone	11 - 10	13 - 11	13 - 12
Asian $Sing	1⅛ - 1¼	1¼ - 1⅛	1⅜ - 1¼
Spanish Peseta	13 - 12¾	13½ - 12¾	15 - 13

Long term Eurodollars; two years 4⅜-4¼ per cent; three years 5-4⅞ per cent; ... 6-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.13	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.717	2.520	208.2	8.542	2.245	2.832	2226	2.137	52.00	179.5	1.293
$	0.582	1	1.468	121.3	4.975	1.308	1.649	1296	1.245	30.29	104.5	0.753
DM	0.397	0.681	1	82.62	3.390	0.891	1.124	883.3	0.848	20.63	71.23	0.513
YEN	4.803	8.247	12.10	1000.	41.03	10.78	13.60	10692	10.26	249.8	862.2	6.210
F Fr.	1.171	2.010	2.950	243.7	10.	2.628	3.315	2606	2.502	60.88	210.1	1.514
S Fr.	0.445	0.765	1.122	92.74	3.805	1	1.261	991.5	0.952	23.16	79.96	0.576
N Fl.	0.353	0.606	0.890	73.52	3.016	0.793	1	786.0	0.755	18.36	63.38	0.457
Lira	0.449	0.771	1.132	93.53	3.837	1.009	1.272	1000.	0.960	23.36	80.64	0.581
C$	0.468	0.803	1.179	97.43	3.997	1.051	1.325	1042	1	24.33	84.00	0.605
B Fr.	1.923	3.302	4.846	400.4	16.43	4.317	5.446	4281	4.110	100.	345.2	2.487
Pta	0.557	0.957	1.404	116.0	4.759	1.251	1.578	1240	1.191	28.97	100.	0.720
Ecu	0.773	1.328	1.949	161.0	6.606	1.736	2.190	1722	1.653	40.22	138.8	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev
Dec	2642.0	2648.0	2588.0	2603.0
Mar	2675.0			2636.0
Jun	2696.0	2696.0	2696.0	2658.0

Estimated volume 12226 (7351)
Previous day's open int. 43908 (44052)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7170	1.7087	1.6948	1.6760	1.6455

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	3.29	-	-	0.13	-	-
107	2.42	3.24	-	0.27	0.68	-
108	1.67	2.66	-	0.49	1.00	-
109	1.02	1.91	-	0.84	-	-
110	0.55	-	-	1.33	-	-
Open Int.	336,223	84,024	1,702	219,662	62,813	1,460

Estimated volume 20,327 † Total Open Interest 705,674
† All Yield & Open Interest figures are for the previous day

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	9
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	9	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs	9.5	● Rea Brothers	9
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	9	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	9	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	9	Heritable & Gen Inv Bnk	9	Unibank plc	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	9	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	● Leopold Joseph & Sons	9	Yorkshire Bank	9
Co-operative Bank	9	Lloyds Bank	9		
Coutts & Co	9	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Another small ease

MONEY market rates in both the UK and Germany eased again yesterday as dealers continued to believe that a cut in both countries' official rates may follow tomorrow's Bundesbank council meeting, *writes James Blitz*.

Mr Norman Lamont, the UK chancellor, gave the markets the impression that UK credit policy would lean on the tight side in his testimony to MPs on Monday. However, sterling dealers saw new clues to a near-term easing of rates yesterday.

The currency consolidated its position above DM2.50, peaking at DM2.5390 to the D-Mark at noon in London. A strengthening pound gives the UK government more room to introduce another base rate cut, without this having an impact on inflation.

Yesterday's monthly figure for factory gate price rises was also the lowest in 25 years, indicating that inflationary pressures in the economy are very weak. Output prices were unchanged against economists' forecasts of a 0.1 per cent rise.

The Bundesbank injected liquidity into the German money market at a rate of 8.9 per cent yesterday, further underlining the easier German policy on market rates, now 60 basis points below the Lombard rate ceiling.

These developments registered in cash and futures prices. Three month sterling cash closed at 8⅝ per cent, down from a previous close of 8¹¹⁄₁₆ per cent. The December short sterling contract closed at 91.92 from a previous close of 91.89. The December Euromark contract registered new bullishness about the Bundesbank council meeting, rising 10 basis points to 91.76.

Several dealers offered bills below established rates to the Bank of England at the start of UK money market operations, but said the offers were turned down. The speculation over a rate cut was reflected in the fact that only £2m of Band 1 bank bills were bought at the established rate of 8⅞ per cent in the early round.

The £800m shortage was later removed with the purchase of £440m and £282m of Band 1 bank bills in the morning and afternoon.

One clearing bank dealer said that if there were no rate cuts before Friday, the market would unwind the recent mark-down of rates. "I would expect the December futures contract to fall 10 basis points," he said.

UK clearing bank base lending rate 9 per cent from September 22, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.13) 3 months US dollars		6 months US Dollars	
bid 3⁵⁄₁₆	offer 3⁷⁄₁₆	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	2.87	Three year	4.45
Broker loan rate	5	Two month	2.88	Five year	5.48
Fed funds	3½	Three month	2.97	Seven year	6.07
Fed. funds at intervention	3⅛	Six month	3.06	10-year	6.50
		One year	3.25	30-year	7.53
		Two year	3.99		

Oct.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.90-9.00	8.90-9.00	8.80-8.95	8.35-8.50	9.50
Paris	5¾-6	6¼-6⅜	-	6¼-6⅜		9.60
Zurich	5¾-6	6¼-6⅝	-	6⅞-6⅜	-	-
Amsterdam	8.80-8.95	8.78-8.87	-	8.65-8.75	-	-
Tokyo	4-4⅛	4⅛-4⅜	-	3⅞-3¹¹⁄₁₆	-	-
Milan	15⅞-16⅛	15⅞-15⅝	-	15⅛-15⅛	-	-
Brussels	8⅞-9	8⅞-9	-	8⅞-9	-	-
Dublin	15-25	13-14	12½-13½	12¼-13¼	11¾-12⅞	-

LONDON MONEY RATES

Oct 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9¼	9¼	9	8¾	8½	8⅝
Interbank Bid	8	8⅞	8¾	8½	8⅜	8⅜
Sterling CDs	-	-	8⅞	8¹¹⁄₁₆	8⅜	8⅛
Local Authority Deps.	9	9	8⅞	8⅝	8⅜	8⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9¼	9¼	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	8⅞	8¹¹⁄₁₆	8½	8⅜
Treasury Bills (Buy)	-	-	8¹³⁄₁₆	8⅝	8⁷⁄₁₆	-
Bank Bills (Buy)	-	-	8¹³⁄₁₆	8⅝	8⅜	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.12	3.18	3.18	3.18
SDR Linked Dep. Offer	-	-	6⅛	6	6	6
SDR Linked Dep. Bid	-	-	5¹³⁄₁₆	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	11⅝	11½	10⅞	10⅛
ECU Linked Dep. Bid	-	-	11¼	11⅛	11⅞	10

Treasury Bills (sell): one-month 8¹³⁄₁₆ per cent; three months 8⅝ per cent; six months 8⅜ per cent; Bank Bills (sell): one-month 8¹³⁄₁₆ per cent; three months 8⅝ per cent; Treasury Bills, Average tender rate of discount 8.0821. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I: 11.18 p.c., Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V: 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 5½ per cent; one-three months 8 per cent; three-six months 7¼ per cent; six-nine months 7¼ per cent; nine-twelve months 7 per cent; Under £100,000 5½ per cent from Sep 23, 1992. Deposits withdrawn for cash 5 per cent.

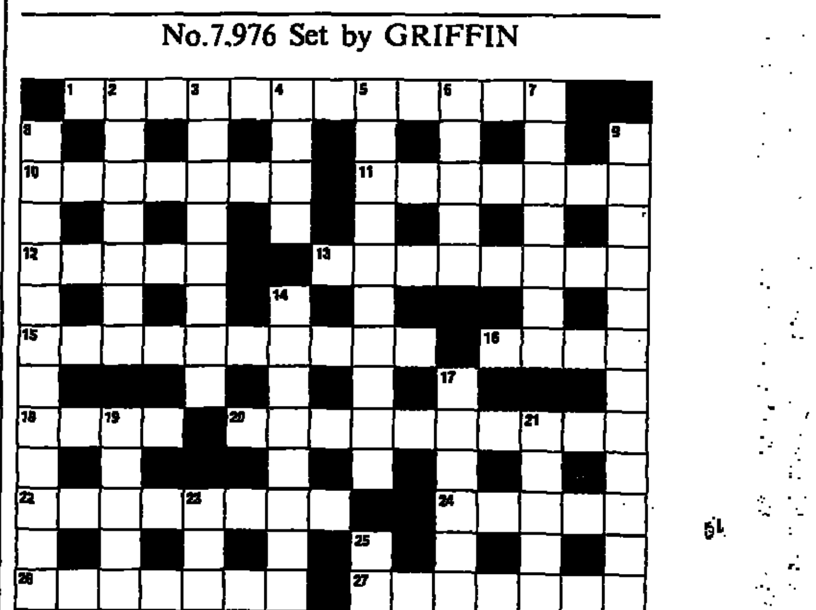
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,976 Set by GRIFFIN



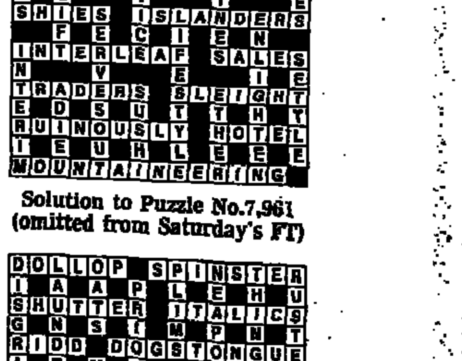
ACROSS

1 Pilot once insane about fairy (12)
10 Name carved in pine skittle (7)
11 Royal procession going round ground (7)
12 Those writing about the essential character (5)
13 Ray follows Mac back to get valve operator (8)
15 Antipodean satin Laura can make (10)
16 Scribe anxiously hides head (4)
18 First person to be cross with goat (4)
20 Wanted objects rated as die-cast (10)
22 Outside first big lorry that's aesthetically pleasing (8)
24 It's grand in empty boat (5)
26 Left Ted Cook to admit disappointment (7)
27 Doctor heard you taking Arab's silk (7)
28 Close observation unveils clear mismanagement (12)

DOWN

2 Kiss Hunt as travelling to ancient city (7)
3 Former Italian banker certain to make public appearance (8)
4 Using empty nurseries as hotels (4)
5 When you make someone late being kind? (10)
6 Charges man in group for turning up (5)
7 Leaves Lee holding a cigarette (7)
8 Unremitting badinage I felt to be wrong (13)
9 For immediate use on stain turning brown internally (13)
14 Say union is without loyalty (10)
17 Man backed feeling about pub's dried plant collections (8)
19 Lacking aspiration he specifies residential areas (7)
21 Old boy I care madly about describes certain exercises (7)
23 Point to inferior scent (5)
25 Turned up story about married man (4)

Solution to Puzzle No.7,975



Solution to Puzzle No.7,961 (omitted from Saturday's FT)

WORLD STOCK MARKETS

CANADA

TORONTO — 4 pm close October 13

INDICES

NEW YORK

DOW JONES	Oct 13	Oct 12	Oct 9	Oct 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3201.42	3174.41	3136.58	3176.03	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.46	102.45	102.48	102.54	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1251.18	1229.02	1219.56	1244.33	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.83	216.39	214.76	216.07	225.59 (3/11)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3222.77 (3186.29) Low 3159.28 (3140.10) (Theoretical)♦
Day's High 3211.69 (3174.68) Low 3167.65 (3136.31) (Actual)♦

STANDARD AND POOR'S

	Oct 13	Oct 12	Oct 9	Oct 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	409.30	407.44	402.66	407.75	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	479.05	476.68	471.36	478.06	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.65	35.61	35.17	35.45	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	225.31	224.28	222.11	224.62	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	366.83	365.98	364.85	367.01	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	576.44	573.84	570.52	573.88	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 9	Oct 2	Sep 25	year ago (approx.)
Dow Industrial Div. Yield	3.31	3.24	3.19	3.10

	Oct 7	Sep 30	Sep 23	year ago (approx.)
S & P Industrial div. yield	2.80	2.70	2.68	3.24
S & P Indl. P/E ratio	26.45	27.40	27.57	20.53

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Merck	3,591,700	42⅝	+ ⅞
Philip Morris	2,518,400	84⅛	+ 1⅞
Toys R Us	2,064,000	36⅝	- ⅞
Coca Cola	1,829,500	37⅞	+ 1
Chrysler	1,752,700	23⅛	+ ¼
Glaxo	1,693,800	26⅞	+ ⅜
Pepsico	1,684,100	38⅝	+ ¼
Beverly Ents	1,661,100	10⅛	+ ¼
Ford Motor	1,621,300	37⅛	+ 1

TRADING ACTIVITY

† Volume Millions	Oct 13	Oct 12	Oct 9
New York SE	184.130	126.590	178.910
Amex	10.224	6.964	9.530
NASDAQ	(u)	127.849	170.243
NYSE			
Issues Traded	2,321	2,271	2,303
Rises	1,021	1,103	516
Falls	706	603	1,186
Unchanged	594	565	601
New Highs	33	27	28
New Lows	45	37	62

CANADA

TORONTO	Oct 13	Oct 12	Oct 9	Oct 8	1992 HIGH	1992 LOW
Metals & Minerals	2643.36	(c)	2650.40	2681.94	3238.87 (16/1)	2637.92 (7/10)
Composite	3214.90	(c)	3218.49	3237.20	3666.00 (16/1)	3214.90 (13/10)
MONTREAL Portfolio	1678.78	(c)	1677.58	1691.53	1937.59 (16/1)	1668.96 (2/10)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 13	Oct 12	Oct 9	Oct 8	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1456.9	1463.0	1466.2	1465.6	1684.50 (22/5)	1452.40 (6/10)
All Mining (1/1/80)	620.0	630.3	638.0	640.9	726.80 (3/7)	620.00 (13/10)
AUSTRIA						
Credit Aktien (30/12/84)	320.66	317.95	320.77	320.35	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	778.67	770.32	776.16	774.12	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1099.84	1092.54	1094.87	1089.27	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	255.99	254.80	255.10	255.35	365.29 (15/1)	254.73 (7/10)
FINLAND						
HEX General (28/12/90)	606.4	604.1	607.9	613.6	935.98 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	450.01	446.36	454.69	449.76	556.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1685.09	1655.05	1657.34	1673.86	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	576.86	565.61	573.47	576.42	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1628.1	1594.6	1617.7	1626.8	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1465.50	1432.54	1439.66	1451.12	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5756.10	5725.57	5596.71	5555.53	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1116.83	1115.64	1116.69	1115.43	1469.57 (17/1)	1102.94 (7/10)
ITALY						
Banca Com. Ital. (1972)	394.28	396.85	397.57	382.47	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	778.0	783.0	786.0	756.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17490.67	17302.01	17059.78	17335.51	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1320.24	1309.33	1298.65	1304.69	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1693.99	1687.91	1691.10	1692.76	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	605.13	602.60	600.25	591.77	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS TU.Rtn.Gen.(End 1983)	287.6	287.0	286.8	287.0	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	193.9	193.5	193.4	193.5	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	593.90	581.63	583.46	578.31	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1398.56	1391.88	1408.13	1403.82	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	354.74	354.03	355.02	355.25	416.99 (21/1)	354.03 (12/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	806.04	817.0	853.0	861.0	1327.00 (21/1)	806.00 (13/10)
JSE Industrial (28/9/78)	4015.04	4038.0	4066.0	4082.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	514.39	514.90	524.27	518.43	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	192.68	(c)	193.91	192.71	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvariden Gen. (1/2/37)	675.8	665.3	668.0	653.1	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	844.9	840.7	839.5	835.2	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	638.1	634.9	635.0	633.0	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3602.96	3602.83	3622.75	3688.21	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	868.68	871.71	886.34	883.36	886.34 (9/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	491.4°	487.1	482.7	487.1	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	815.40	806.28	805.58	801.53	976.55 (25/5)	772.52 (5/10)

**Saturday October 10: Taiwan Weighted Price: (c), Korea Comp Ex. 525.77
‡ Subject to official recalculation. † Corrected figure. °Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday October 13 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shinagawa Fuel	5.2m	986	+43	Aishin Seiki	2.7m	1,030	+40
Inabata	4.3m	1,090	+50	Sumitomo Chem.	2.4m	473	+7
Green Cross	3.8m	1,620	+50	Mitsubishi Kakok.	2.3m	1,100	+30
Nikken Chems	3.5m	1,080	+10	Mitsui Min & Sml	2.0m	483	+14
Kubota Copr	3.0m	595	+13	Nippon Mining	2.0m	482	+4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 13

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.2	18	214	11½	11¼	11½	+⅛
26	18	A L Labs A	0.18	0.8	81	250	23⅛	22⅝	22⅞	-¼
68¾	52⅝	AMP Inc	1.52	2.5	24	850	60⅜	59½	60⅜	+1¼
80¼	54⅜	AMR			20	1029	57⅜	55⅜	57⅜	+2¼
2⅞	1⅜	ARX			19	127	1⅜	1⅜	1⅜	
53½	33⅞	ASA	2.00	5.9	22	290	34	d33½	33⅝	-⅜
34¼	26¼	Abbott Lab	0.60	2.1	20	8232	29⅛	28½	28⅝	-¼
13⅞	11⅛	Abitibi Pr	0.50	4.4	6	2	11¼	11¼	11¼	
11⅞	10⅛	ACM Gvt In	0.96	8.5		307	11⅜	11⅛	11⅛	+⅛
10⅜	9¼	ACM GvOpp	0.79	8.2		334	9⅝	9⅝	9⅝	-⅛
9⅞	8½	ACM Grt Sp	0.79	8.3		326	9½	9⅜	9½	+⅛
11⅜	10⅛	ACM Gvl Se x	0.96	8.7		224	11⅛	11	11	
10⅝	8⅝	ACM Man	1.08	10.9		1221	10⅛	9⅞	9⅞	-⅛
12⅞	9⅞	ACM Managd	0.99	9.9		161	10	d9⅞	10	+⅛
11¾	4⅞	Acme Cleve	0.40	6.2	12	157	6¾	6½	6½	
6¼	3¾	Acme Elect			31	19	4½	3⅞	4⅛	+⅛
33¼	14⅞	Acuson			11	2153	16⅞	16	16½	+⅛
20	18⅛	Adams Expr	0.48	2.5	0	67	19⅜	19⅛	19⅜	+⅛
49⅛	29½	Ad Micro	3.00	7.9		180	37⅞	37⅝	37⅞	+¼
21½	7½	Ad Micro P	3.00	23.5	41	0148	12⅞	12½	12¾	+¼
8⅛	4⅞	Advest Grp	0.16	2.7	73	1991	5⅞	5½	5⅞	+⅜
41⅞	33	Aegon ADR	1.68	4.1	7	448	41⅛	40⅝	41	+¼
47	38	Aetna Lf	2.76	6.6	10	1018	43	41⅞	42⅛	-⅜
12¼	8⅛	Affil A	0.24	2.2	13	438	11⅛	10⅞	11	
34	24	Aflac	0.44	1.5	14	348	30⅛	30⅛	30⅛	-⅛
19⅜	13	Ahmanson	0.88	6.5	6	961	13⅝	13⅜	13⅝	+⅛
22½	4¼	Aileen Inc			7	285	4⅜	d4¼	4⅞	
49½	38½	Air Pr Chm	0.86	2.0	18	1563	43⅞	43	43⅞	+½
29¾	12½	Airbne Frt	0.30	1.8	32	470	16½	16	16⅜	+¼
34¼	22⅞	Airgas Inc			28	82	33½	32⅝	33⅜	+⅜
12⅛	8⅛	Airlease x	1.68	15.3	6	54	11	10⅝	11	+⅛
104	89½	AlaPw8.16	8.16	8.0		z100	101¾	101¾	101¾	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
[illegible]										
47½	28½	Xtra Corp	0.80	1.9	13	368	43¾	43½	43⅝	-⅛
30⅝	26¼	Yankee Egy	1.66	5.5	14	23	30⅛	29⅞	30	
1½	½	Zapata			25	39	1⅛	1	1	-⅛
11⅛	5½	ZenithElec			3	764	5⅞	5⅝	5¾	
19½	14½	Zenith Nat	1.00	5.9	8	88	16⅞	16⅝	16⅞	+⅛
7½	6	Zenix Inc x	0.83	11.9		176	7⅛	7	7	-⅛
13¾	10	Zero Corp	0.40	3.5	18	89	11½	11⅜	11½	
38	27¼	Zurn Ind x	0.88	2.9	33	81	31	30⅝	30⅞	+¼
14⅝	12	Zweig Fund	1.12	9.1		210	12½	12¼	12⅜	
11	9½	Zweig Totl	0.96	9.5		544	10⅛	10	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close October 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

WORLD STOCK MARKETS

AMERICA

Good quarterlies help extend rally in Dow

Wall Street

A SERIES of unexpectedly *good third quarter earnings* reports, and computer program buying lifted US stock markets to solid gains yesterday *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 27.01 at 3,201.42, about ten *points below its highs for the* day. The more broadly based Standard & Poor's 500 also ended firmer, up 1.84 at 409.28, while the Amex composite put on 0.85 at 366.83 and the Nasdaq composite added 2.60 at 576.44. Turnover on the NYSE was 185m shares, with rises outpacing declines by 1014 to 706.

After Monday's gains, which had more to do with the thinness of trading during the Columbus Day unofficial holiday than with any shift in investor sentiment, yesterday's advances were achieved following a genuine improvement in market fundamentals.

Investors had approached the third quarter corporate reporting season gingerly, fearing that because of the weaker-than-expected economic growth during the summer, company profits would also come in below forecasts. The first batch of figures, however, have *proved* as good, and in some cases better, than anticipated.

Prices were also aided by *program trading, and* the continued belief among some investors that the market may have been slightly oversold *during last week's substantial* correction.

Among individual stocks, securities houses were in *strong demand following quar*terly reports which defied the conventional wisdom that the summer slowdown in investor activity would crimp brokers' profits. Merrill Lynch rose $3⅛ to $51¼ on a 44 per cent jump in net income to $230.1m, and PaineWebber climbed $1⅛ to $18⅜ on a 35 per cent improvement in profits to $51.7m.

Other brokerage stocks firmed in expectation of similar reports, with Morgan Stanley rising $¾ to $47⅝, Bear Stearns climbing $⅝ to $15⅛, Salomon adding $⅜ at $37⅝, Charles Schwab rising $⅜ to $18 and JP Morgan edging $¼ higher to $61⅛.

Pepsico rose $¾ to $38⅝ in heavy trading after the soft-drinks and food group unveiled a 22 per cent increase in third quarter earnings to $425.7m. Coca-Cola rose $⅞ to $37¾ in sympathy.

Caterpillar gained $1⅞ to $51 as analysts suggested that the *heavy equipment manufac*turer would gain considerably from a Democratic victory in the November presidential *elections because of the party's* plans to boost spending on the infrastructure if elected.

On the Nasdaq market, First *Financial rose $2¼ to $17½ on* third quarter profits of 65 cents a share, up from 43 cents a share a year earlier. Caere, up *$2¼ at $32¾, was also buoyed* by better-than-expected earnings, as was Lattice Semi, up $⅝ at $21⅛.

Canada

TORONTO stocks strayed little from Friday's levels, despite a run-up in U.S. share prices.

The TSE 300 index was off 3.64 points, or 0.11 per cent, from Friday's close to 3,214.85, as declining issues outpaced advances 281 to 240. Volume was 24.5m shares worth C$183.6m as against 24.5m shares worth C$285.9m on Friday. The market was closed Monday for a holiday.

Tuesday's mixed finish came despite two days of gains for U.S. stocks, which usually influence the Canadian market. Mining shares were down slightly, while energy, industrial products, consumer products and financial services were up moderately.

Athens sinks in spite of government reassurance

Kerin Hope discusses the slide in Greek equities

GREEK investors feel that they have more to worry about than mere turbulence on international currency markets.

Continuing fears of war in the neighbouring, former Yugoslavian republic of Kosovo, combined with a rise in interest rates and the prospect of a harsh 1993 budget, have sent prices on the Athens Stock Exchange plunging.

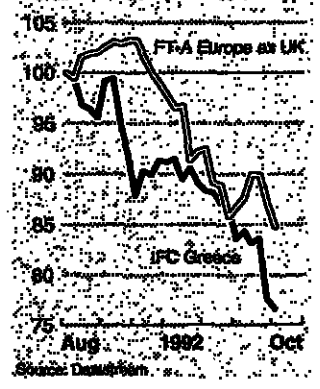
After an attempt at recovery earlier this month, the market resumed its downtrend nine days ago, hitting new 30-month lows in consecutive sessions since the middle of last week. The Athens stock exchange index closed yesterday at 636.43.

The early October recovery followed an initiative by the economy ministry, which took the unusual step of reassuring investors publicly that its two-year old economic adjustment programme is still on track. It pledged that measures to curb inflation would yield results in the near future, bringing a steady decline in interest rates. This brought about a three-day rally, culminating with the index at 675.49, in steady daily volume of some Dr1.2bn ($6.3m), on October 2. But the prevailing mood of gloom has not really lightened.

"There's not much expectation of good news," says Mr Spyros Kriticopoulos, chief of research at M. Kyranis Securities. "The budget is going to be strict to stop the deficit from expanding. It's hard to feel confident that interest rates will come down quickly."

Even before the turmoil erupted on the currency markets, Greek interest rates had started to rise. A Dr580bn revenue-raising package launched in August, which included increases in petrol tax and VAT on raw materials, added almost two percentage points to the inflation rate.

With inflation running at some 15 per cent, the government raised interest rates on



Source: Datastream

12 month Treasury bills, the main vehicle for financing the public sector deficit, to 21.5 per cent. As borrowing rates moved close to 30 per cent for working capital, companies started to postpone plans for investment.

The drachma, which is not a member of the exchange rate mechanism, was partly cushioned from speculative assaults last month by tight exchange controls.

Anticipation that the drachma would be devalued gave the bourse a short-lived boost. Shares in leading exporting companies, producers of cement, plastics and textiles, were snapped up.

The government, however, has remained opposed to devaluation and the central bank has reaffirmed its policy of pegging the drachma to the D-mark, in spite of a heavy drain on foreign exchange reserves in the past three weeks. Against the dollar, most of the drachma's decline last month of just over 4 per cent, has now been made up.

Nevertheless, the government's strong drachma policy is under constant attack from Greek exporters who claim that the currency is now overvalued by around 10 per cent. They argue that following the recent devaluations of the lira and the peseta, Greek products are becoming increasingly uncompetitive.

Mr Jacovos Babalitis, an analyst with Northern Greek Securities, says: "The drachma's strength is another factor depressing the market. Investors are generally hesitant because of doubts about future government policy and events outside Greece."

Amid this anxiety, some encouraging first-half results from construction and food processing companies have been disregarded. More attention was paid to a weak first-half performance in the banking sector, which accounts for over 40 per cent of the market's total equity capitalisation. After several years of strong profit growth, rising operating costs and reduced spreads on lending in a more competitive environment are affecting their earnings.

Underlying political uncertainty is being reinforced by the government's repeated warnings that conflict is imminent in the Albanian populated province of Kosovo, ruled by Serbia.

"The possibility that war may spread close to Greece's northern border is at the back of every investors mind," says Mr Babalitis.

EUROPE

New York continues to lift continent

A FIRM start on Wall Street propelled bourses higher for the second day but trading remained thin as investors stuck to the sidelines, *writes Our Markets Staff.*

FRANKFURT registered its biggest one-day gain in a month, the DAX index closing 32.96 or 2.3 per cent higher at 1,465.50. But turnover rose only slightly to DM3.8bn from DM3.3bn and trading logistics, rather than an improvement in sentiment, were given credit for the rise.

The tendency to move upwards, prompted traders to cover short positions and this had an exaggerated effect in an illiquid market.

Major moves among international blue chips, Volkswagen rising DM13.20 to DM270.70 and Bayer by DM7.50 to DM249.70, were a clawback from VW's underperformance in the third quarter and the chemical industry favourite's exaggerated response to a hazardous materials scare on Monday.

Thyssen put on DM11.90 to DM169.50, also after a poor third quarter. Deutsche Babcock rose DM9.10 to DM137.80 for a two-day gain of 10 per cent, after a newspaper interview on Monday in which Babcock's chairman said the company's performance in the year to September 30 had beaten expectations .

FT-SE Actuaries Share Indices

October 13								THE EUROPEAN SERIES
Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	990.30	991.02	991.71	993.67	994.41	994.05	998.58	999.62
FT-SE Eurotrack 200	1076.57	1076.89	1078.88	1079.57	1078.24	1079.23	1088.88	1085.38

	Oct 12	Oct 9	Oct 8	Oct 7	Oct 6
FT-SE Eurotrack 100	984.55	987.08	986.33	971.05	954.29
FT-SE Eurotrack 200	1069.79	1070.52	1060.95	1052.71	1035.93

Base value 1000 (26/10/90) High/day: 100 - 999.62 ; 200 - 1087.11 Low/day: 100 - 990.14 200 - 1076.48

AMSTERDAM featured KNP which fell sharply following its announcement after Monday's close that it expected net profit to fall to Fl 100m from Fl 294.7m in 1991, because of a disappointing third quarter and unfavourable prospects for the fourth quarter. The CBS Tendency index finished 0.4 lower at 107.1.

KNP initially tumbled 20 per cent to an intraday low of Fl 31.60 but recovered slightly in the afternoon to close down Fl 6.50 at Fl 33.00.

Other paper stocks weakened on the KNP news, with Buhrmann-Tetterode shedding Fl 3.10 to Fl 30.80.

Fokker also attracted sellers following another unconfirmed report that Dasa might withdraw from its proposed takeover. The shares fell to a day's low of Fl 15.60 before recovering to close up 50 cents at Fl 17.00.

PARIS rose steadily during the day and closed at the day's high but trading remained thin. The market was lifted by bargain-hunting in blue-chips and by the firmer start on Wall Street. The CAC-40 index closed up 30.04 or 1.8 per cent at 1,685.09 in modest turnover of FFr1.3bn.

Euro Disney was one of the day's most prominent risers, adding FFr4.80 or 6.9 per cent to FFr74.70 on news of better-than-expected attendance figures for September.

Among second-line stocks, Valeo was in demand, rising FFr29 to FFr630. The company held a meeting with analysts yesterday.

ZURICH saw its big price changes in second line stocks as the SMI index rose *12.1 to* 1,893.6. In the forefront was a SFr35 rise to SFr805 in Swiss Volksbank, up SFr145, or 22 per cent over the past five trading days.

Mr Jeremy Silewicz at UBS Phillips & Drew said that Volksbank had underperformed this year and that rumours of a takeover bid had had an accordingly electric effect on the share price. Otherwise, after a strong market performance this year, investors were looking beyond the obvious blue chips to extend their Swiss portfolios.

MILAN came off early lows as share prices staged a late recovery. Trading was technical ahead of the close of the account today. The Comit index ended 2.57 lower at 394.28 in turnover estimated at between L150-200bn.

Fiat settled down L81 at L4,100 but rose in after-hours trading to L4,400 and Generali, fixed L520 lower at L27,610, picked up later to L28,400.

There was still some downward pressure on Ras ahead of its rights issue, which starts tomorrow, the first day of the new account. The shares lost L10 to L14,890.

Avir, which was suspended limit-down on Monday, *remained suspended yesterday* pending an announcement from the company.

MADRID paid little attention to the better-than-expected CPI data which showed an increase of 0.9 per cent in September and the general index lost 1.28 to 192.68 in low volume.

STOCKHOLM was lifted by firm foreign bourses. The Affärsvärlden General index rose 10.5 to 675.8 in turnover of SKr264m after SKr213m.

Astra was the session's most active issue with combined turnover of about SKr47m for both classes of shares. The A shares rose SKr12 to SKr517 while the B shares rose SKr9 to SKr506.

BRUSSELS was led higher by insurance shares which rose in response to last week's cut in domestic interest rates. The Bel-20 index closed 7.3 higher at 1,099.84 in turnover of BFr648m. Leading insurer AG closed BFr25 or *1.3* per cent higher at BFr1,970.

VIENNA was encouraged by OMV's forecasts of good profit growth *this year and its* announcement of a new North Sea oil find. The ATX index rose 8.15 to 778.67 while OMV improved *Sch11 to Sch680.*

ASIA PACIFIC

Strong futures lift Nikkei in technical trade

Tokyo

A *STRONG futures* market lifted share prices, and the Nikkei average rose on arbitrage buying and index-linked pur*chases by investment trust* funds, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained *188.66 to 17,490.67. The index* opened at the day's low of 17,341.32 and rose to the day's high of 17,577.63 in the afternoon. *Towards the close*, position adjustments by dealers cut some of the gains.

Volume rose to 210m shares *from 163m*. Advances led declines by 672 to 233 with 171 issues remaining unchanged. The Topix index of all first sec*tion stocks gained 10.91 to* 1,320.24 and in London the ISE/Nikkei 50 index rose 1.65 to 1060.11.

Analysts said that while share prices seemed to be on a slow upturn, institutional investors were not hurrying to participate. *Ms Kathy Matsui,* strategist at Barclays de Zoete Wedd, said an expected decline of the yen against the dollar would help high-technology issues. "The current low prices are simply not justified," she added. Some analysts are now *looking for the yen to fall* against the dollar, possibly to the Y130 level.

High-technology blue chips rose on buying by dealers and foreign investors. Toshiba gained Y5 to Y584 and Sony rose Y10 to Y4,040. NEC, however, *fell Y8 to Y707* on small-lot selling. There have been concerns about the company's earnings due to sales of *cheaper personal computers* by a US computer company.

Environmental-theme stocks gained on buying by speculators. Shinagawa Fuel, a fuel dealer which is conducting *research into plastic waste* recycling, was the most active issue of the day, rising Y43 to Y998. Kubota, a farming equip*ment and duct pipe maker, also* advanced Y13 to Y595.

Aids-related issues were firm with Green Cross, the pharma*ceutical maker, gaining Y50 to* Y1,620 and Sumitomo Chemical Y7 to Y473. Nikken Chemicals, in demand because of its research *into a drug to treat* Alzheimer's disease, advanced Y10 to Y1,080, a high for the year.

In Osaka, the OSE average rose 220.24 to 19,173.38, rising above the 19,000 level for the first time since September 30. *Volume however, remained* subdued at 7.8m shares against Monday's 6m.

Roundup

PACIFIC Rim markets were mixed yesterday.

HONG KONG closed firmer on follow-through buying from Monday's rise, but brokers said investors were nervous ahead *of tomorrow's airport talks.* The Hang Seng index touched 5,770 twice before closing 30.53 higher at 5,756.10, in turnover of *HK$2.44bn.*

Property stocks again led the active list, with Sun Hung Kai falling 25 cents to HK$33.25 *and Cheung Kong* shedding 10 cents to $21.10.

AUSTRALIA was dragged lower by depressed metal prices and *BHP's weakness*, closing at an 18-month low. The All Ordinaries index lost 6.1 to 1,456.9 in turnover of A$203.95m.

BHP shed 14 cents to A$11.42 while Western Mining slipped 15 cents to A$4.15 after warn*ing of flat minerals demand* this year. CRA lost 20 cents to A$11.76 on reports that the Papua New Guinea govern*ment might renegotiate mining* contracts.

NEW ZEALAND broke six consecutive days of declines *with a 15.61-point rise in the* NZSE-40 index to 1,361.17. Turnover was NZ$27m.

Rises in Telecom and Carter Holt Harvey contributed to the market's recovery, with gains of 4 cents and 7 cents to NZ$2.24 and NZ$2.37 respectively.

MANILA advanced steadily, as rumours that First Philippine Holdings may lift its divi*dend encouraged sentiment.* The composite index rose 6.68 to 1,398.56 in combined turnover of 331m pesos.

First Philippine Holdings gained 2.50 pesos to 49.00.

SINGAPORE's Straits Times Industrial Index rose 6.28 to 1,332.88 in volume of 41.5m shares, while KUALA LUMPUR's composite index also firmed in quiet trading, up 2.53 *at 605.13.*

BANGKOK finished mixed as the SET index lost 3.03 to 868.68 in turnover of Bt8.50bn, *the lowest daily level in a* month. Bangkok Land was the most active stock, ending unchanged at Bt132 in turnover of Bt501.4m.

SOUTH AFRICA

A RECOVERY in the bullion price lifted Johannesburg gold shares from the day's lows. The gold index fell to a seven-year low of 797 before ending down 11 at 806. The overall index fell 21 to 3,002 and industrials lost 23 to 4,015.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 13 1992								MONDAY OCTOBER 12 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	122.97	−0.2	106.18	94.28	93.79	113.31	−0.4	4.30	123.18	107.11	94.25	94.27	113.71	153.68	122.45	153.57
Austria (19)	152.08	+0.4	131.32	116.61	115.99	116.57	+0.5	2.49	151.53	131.77	115.95	115.97	116.01	166.70	139.27	162.53
Belgium (42)	140.95	+0.3	121.70	108.06	107.50	105.32	+0.1	5.85	140.52	122.19	107.52	107.54	105.17	152.27	135.87	128.03
Canada (114)	113.97	−0.3	98.41	87.38	86.92	102.75	−0.2	3.44	114.30	99.39	87.45	87.47	102.96	142.12	113.70	137.47
Denmark (33)	197.74	+1.7	170.75	151.62	150.82	152.09	+0.8	1.88	194.50	169.13	148.83	148.85	150.85	273.94	193.64	246.07
Finland (15)	58.11	+3.4	50.18	44.56	44.32	56.89	+3.0	2.48	56.20	48.87	43.01	43.01	55.26	89.80	52.84	84.42
France (101)	150.31	+2.2	129.79	115.24	114.63	117.30	+1.5	3.85	147.14	127.94	112.58	112.59	115.52	188.75	146.54	138.87
Germany (64)	109.47	+2.3	94.52	83.94	83.49	83.49	+1.9	2.74	107.02	93.06	81.90	81.90	81.90	129.69	106.62	105.56
Hong Kong (53)	239.24	+0.5	206.58	183.44	182.47	237.52	+0.5	3.75	238.16	207.09	182.23	182.27	236.41	259.55	176.36	166.78
Ireland (16)	135.29	−1.0	116.82	103.73	103.18	107.49	−0.6	6.05	136.59	118.77	104.52	104.53	108.13	173.71	135.29	156.29
Italy (77)	53.70	−0.1	46.37	41.17	40.96	52.00	−0.1	4.00	53.77	46.76	41.14	41.15	52.05	80.86	47.47	68.50
Japan (472)	108.75	+0.7	93.90	83.38	82.95	83.38	+0.9	1.02	108.02	93.93	82.65	82.68	82.65	140.95	87.27	140.50
Malaysia (69)	250.67	+0.5	216.44	192.19	191.17	242.17	+0.7	2.70	249.34	216.82	190.78	190.81	240.46	250.67	212.49	195.07
Mexico (18)	1307.79	+0.0	1129.24	1002.76	997.44	4452.61	+0.0	1.35	1307.79	1137.19	1000.69	1000.84	4452.61	1789.77	1185.84	1301.86
Netherland (25)	161.99	+0.7	139.88	124.21	123.55	121.99	+0.3	4.64	160.80	139.83	123.04	123.06	121.68	169.70	147.88	139.20
New Zealand (14)	40.06	+1.8	34.59	30.72	30.56	39.10	+1.4	5.79	39.34	34.21	30.10	30.11	38.54	48.52	39.34	46.26
Norway (22)	138.78	+2.0	119.83	106.41	105.85	113.44	+2.2	2.13	136.04	118.29	104.09	104.11	110.97	192.95	136.04	184.61
Singapore (38)	184.16	+0.0	159.02	141.20	140.45	136.84	+0.2	2.40	184.15	160.13	140.91	140.93	136.54	229.63	180.71	190.53
South Africa (60)	150.30	−1.8	129.78	115.24	114.63	145.20	−0.9	3.51	153.00	133.04	117.07	117.06	146.51	263.60	144.29	247.88
Spain (48)	112.31	+0.0	96.98	86.12	85.66	89.55	−0.6	6.66	112.35	97.70	85.97	85.98	90.09	161.72	110.05	149.17
Sweden (31)	155.58	+1.6	134.34	119.29	118.66	126.90	+1.1	3.09	153.18	133.20	117.21	117.23	125.52	200.28	149.69	175.72
Switzerland (60)	115.77	+0.7	99.97	88.77	88.31	93.88	+0.7	2.28	114.93	99.94	87.94	87.96	93.27	122.37	95.99	92.00
United Kingdom (228)	175.43	+1.7	151.48	134.50	133.79	151.48	+1.0	4.84	172.50	150.00	131.98	132.00	150.00	200.07	164.88	175.64
USA (522)	167.27	+0.5	144.44	128.26	127.58	167.27	+0.5	3.04	166.45	144.74	127.37	127.39	166.45	173.39	160.92	158.89
Europe (781)	139.08	+1.5	120.09	106.64	106.08	113.58	+1.0	4.15	137.03	119.15	104.85	104.87	112.48	156.88	135.66	137.40
Nordic (101)	145.03	+1.7	125.23	111.20	110.61	111.92	+1.1	2.63	142.66	124.05	109.16	109.18	110.67	188.52	141.24	175.83
Pacific Basin (714)	113.14	+0.6	97.69	86.75	86.29	88.60	+0.8	1.37	112.44	97.77	86.04	86.05	87.89	141.97	93.70	140.92
Euro – Pacific (1495)	123.63	+1.0	106.75	94.79	94.29	98.78	+0.9	2.63	122.39	106.42	93.64	93.68	97.91	145.21	113.80	139.86
North America (636)	163.96	+0.5	141.57	125.73	125.07	162.89	+0.5	3.06	163.21	141.92	124.90	124.92	162.13	170.49	158.70	157.49
Europe Ex. UK (553)	117.36	+1.3	101.34	90.01	89.53	92.88	+1.0	3.63	115.80	100.70	88.63	88.64	91.97	132.98	115.41	114.61
Pacific Ex. Japan (242)	156.21	+0.3	134.88	119.79	119.15	141.06	+0.2	3.76	155.79	135.47	119.23	119.24	140.72	175.31	149.00	144.94
World Ex. US (1687)	124.27	+0.9	107.30	95.29	94.78	100.52	+0.8	2.68	123.12	107.06	94.22	94.23	99.70	146.91	118.18	141.63
World Ex. UK (1981)	134.26	+0.6	115.93	102.95	102.41	118.01	+0.6	2.57	133.41	116.01	102.09	102.11	117.24	150.58	127.21	143.59
World Ex. So. Af. (2149)	137.85	+0.8	119.03	105.71	105.15	120.75	+0.7	2.81	136.79	118.95	104.68	104.69	119.91	153.05	130.04	145.73
World Ex. Japan (1737)	154.52	+0.8	133.42	118.49	117.87	142.72	+0.6	3.47	153.33	133.32	117.33	117.36	141.85	165.40	151.93	150.92
The World Index (2209)	137.83	+0.8	119.01	105.68	105.13	121.02	+0.7	2.81	136.80	118.95	104.68	104.70	120.19	153.70	130.66	146.40